NEW APPLICATION

ORIGINAL

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BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER
CHAIRMAN
WILLIAM A. MUNDELL
COMMISSIONER
JEFF HATCH-MILLER
COMMISSIONER
MIKE GLEASON
COMMISSIONER
KRISTIN K. MAYES
COMMISSIONER

Arizona Corporation Commission
DOCKETED
JUL 23 2004
DOCKETED BY

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2004 JUL 23 P 3: 56
AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF SOUTHWEST TRANSMISSION COOPERATIVE, INC. FOR A HEARING TO DETERMINE THE FAIR VALUE OF ITS PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RETURN THEREON AND TO APPROVE RATES DESIGNED TO DEVELOP SUCH RETURN

Docket No. E-04100A-__-_____

APPLICATION

E-04100A-04-0527

GALLAGHER & KENNEDY, P.A.
2575 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-8000

Southwest Transmission Cooperative, Inc. ("Southwest"), by and through its undersigned attorneys, in support of its Application states as follows:

1. Southwest is a non-profit electric transmission cooperative, which supplies transmission services primarily to its Class A and B Members. The Class A Member distribution cooperatives provide electricity to their retail member owners in rural areas of the state.

2. Southwest's seven-member Board of Directors oversees all aspects of its operations. Six members of the Board are elected by Southwest's six Class A Member distribution cooperatives, whose Board members are elected annually by their retail member/consumers. Southwest's Board has authorized the filing of this rate application.

3. As a transmitting utility under the Federal Power Act, Southwest is also subject to certain FERC jurisdiction. In order to meet the reciprocity requirements of Order 888, Southwest maintains a FERC-approved Open Access Transmission Tariff.

4. Pursuant to the requirements of A.A.C. R14-2-103, submitted herewith and incorporated herein are Schedules and Direct Testimony of Messrs. Minson, Pierson and Edwards in support of this Application. In summary, the Schedules and Testimony provide justification for Southwest's request for an approximate 14% rate increase and a Times Interest Earned Ratio of 1.15. On an adjusted basis, Southwest suffered a margin loss of approximately $2.9 million in the 2003 test year.

5. The impact of this requested wholesale transmission rate increase on the retail consumer is difficult to estimate because Southwest's members have different rate levels and structures. In general, however, transmission costs account for approximately 10% of the end rate cost of service. Southwest estimates a monthly bill impact of roughly $1.50 for a user of 750 kwh.

6. More specifically, Southwest requests that the Commission approve (a) a monthly network revenue requirement of $1,418,473; (b) a Point-to-Point rate of $3.032/kw month; and (c) a System Control and Load Dispatch Rate of $0.289/kw month.

7. As discussed in the testimony of Mr. Minson, the primary reason for this rate request is the loss of transmission revenues from the Morenci Water & Electric Company ("MW&E"), which is currently a Class B Member of Southwest. MW&E is completing inter-tie facilities directly to the Tucson Electric Power Company system which allow it to bypass the Southwest transmission system. In the test year, MW&E firm and non-firm transmission revenues amounted to $5.1 million – roughly 16% of Southwest's total transmission revenue.

Southwest adjusts for $2.8 million to account for the non-firm revenue loss in the Schedules and this case. It requests that the Commission authorize in this Order an adjustment procedure, as of January 1, 2006, to account for the remaining $2.3 million revenue loss upon termination of MW&E's firm transmission agreement.

Having fully stated its Application, Southwest requests that the Commission enter its Order:

1. Approving the revised rates requested herein;

2. Approving an adjustment procedure for the MW&E revenue loss as described in Mr. Minson's testimony; and

3. Granting Southwest such other and further relief as it deems appropriate under the premises.

RESPECTFULLY SUBMITTED this 23rd day of July, 2004.

GALLAGHER & KENNEDY, P.A.

By Michael M. Grant

Michael M. Grant
Todd C. Wiley
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Phoenix, Arizona 85016-9225
Attorneys for Southwest Transmission Cooperative, Inc.

Original and thirteen copies of this Application, Schedules and Direct Testimony filed this 23rd day of July, 2004, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Copies of the foregoing hand delivered this 23rd day of July, 2004, to:

Chairman Marc Spitzer
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Commissioner William Mundell
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Commissioner Jeff Hatch-Miller
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15169-6/1205366

Southwest Transmission
COOPERATIVE, INC

P.O. BOX 2195 • BENSON, ARIZONA 85602 • (520) 586-5599 • southwesttransmission.org

BEFORE THE ARIZONA CORPORATION COMMISSION

A.A.C. R14-2-103 SCHEDULES

IN SUPPORT OF

THE SOUTHWEST TRANSMISSION COOPERATIVE, INC.

RATE APPLICATION

DOCKET NO. E-04100A

JULY 2004

Southwest Transmission Cooperative, Inc.

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Southwest Transmission Cooperative, Inc.

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Southwest Transmission Cooperative, Inc.

SCHEDULE A-1
07/07/2004

Computation Of Increase In Gross Revenue Requirements
Test Year Ended 12/31/2003

LINE NO.		ORIGINAL COST	
1	ADJUSTED RATE BASE	$ 79,392,886 (a)	
2.	ADJUSTED OPERATING INCOME (MARGINS)	2,224,809 (b)	
3.	CURRENT RATE OF RETURN	2.80%	
4.	REQUIRED OPERATING INCOME (MARGINS)	5,891,477 (c)	
5.	REQUIRED RATE OF RETURN	7.42%	
6	OPERATING INCOME DEFICIENCY	$ 3,666,668	
7.	INCREASE (DECREASE) IN GROSS REV. REQUIREMENTS	$ 3,666,668	
	CUSTOMER CLASSIFICATION	PROJECTED REVENUE INC. DUE TO RATES	% DOLLAR INCREASE
		(d)	(d)
8.	NETWORK SERVICES	$ 3,391,445	18.85%
9.	POINT-TO-POINT SERVICES	275,223	3.14%
10.	TOTAL	$ 3,666,668	13.70%

SUPPORTING SCHEDULES:
(a) B-1 line 9
(b) A-2 line 3
(c) G-2 line 8
(d) H-1

Southwest Transmission Cooperative, Inc.

Summary Results of Operations

SCHEDULE A-2
07/07/2004

LINE NO.		-PRIOR YEARS- 12/31/2001 (a)	12/31/2002 (a)	12/31/2003 TEST YEAR ACTUAL (a)	TEST YEAR ADJUSTED (b)	PROJ. YEAR PRESENT RATES (c)	12/31/2003 PROPOSED RATES (c)
1.	GROSS REVENUE	$ 11,465,982	$ 30,103,205	$ 34,014,521	$ 27,855,318	$ 27,855,318	$ 31,521,986
2.	OPERATING EXPENSES	10,296,253	25,413,891	27,420,321	25,630,509	25,630,509	25,630,509
3.	ELECTRIC OPERATING INCOME (MARGINS)	1,169,729	4,689,314	6,594,200	2,224,809	2,224,809	5,891,477
4.	TOTAL INTEREST & OTHER DEDUCTIONS	2,149,078	4,542,859	4,849,502	5,400,443	5,400,443	5,400,443
5.	TOTAL OTHER NON OPERATING INCOME	137,169	259,112	277,247	280,872	280,872	280,872
5a.	EXTRAORDINARY ITEMS	-	-	-	-	-	-
6.	NET INCOME (MARGINS)	$ (842,195)	$ 405,571	$ 2,021,945	$ (2,894,762)	$ (2,894,762)	$ 771,906
7.	THROUGH 14.	NOT APPLICABLE					
15.	TIMES TOTAL INTEREST EARNED (TIER)	0.55	1.10	1.49	0.44	0.44	1.15
16.	DEBT SERVICE COVERAGE (DSC)	0.75	1.10	1.23	0.79	0.79	1.11

SUPPORTING SCHEDULES:
(a) E-2, PAGES 1 & 2
(b) C-1, PAGES 3 & 4
(c) F-1, PAGES 1 & 2

Southwest Transmission Cooperative, Inc.

SCHEDULE A-3

Summary of Capital Structure

07/07/2004

LINE NO.	DESCRIPTION	PRIOR YEARS 12/31/2001	PRIOR YEARS 12/31/2002	ACTUAL TEST YEAR 12/31/2003	END OF PROJECTED YR 12/31/2003
1.	SHORT-TERM DEBT	$ -	$ -	$ -	$ -
2.	LONG-TERM DEBT	93,212,775	87,496,630	87,591,547	93,090,041
3.	TOTAL DEBT (a)	93,212,775	87,496,630	87,591,547	93,090,041
4.	PREFERRED STOCK	-	-	-	-
5.	MARGINS AND EQUITY (b)	1,812,664	2,218,235	4,240,180	2,990,141
6.	TOTAL CAPITAL	95,025,439	89,714,865	91,831,727	96,080,181
	CAPITALIZATION RATIOS: (%)				
7.	SHORT-TERM DEBT	0.00%	0.00%	0.00%	0.00%
8.	LONG-TERM DEBT	98.09%	97.53%	95.38%	96.89%
9.	TOTAL DEBT	98.09%	97.53%	95.38%	96.89%
10.	PREFERRED STOCK	0.00%	0.00%	0.00%	0.00%
11.	MARGINS AND EQUITY	1.91%	2.47%	4.62%	3.11%
		100.00%	100.00%	100.00%	100.00%
12.	WEIGHTED COST OF SHORT TERM DEBT	0.00	0.00	0.00	0.00
13.	WEIGHTED COST OF LONG TERM DEBT	5.94%	5.83%	5.67%	5.58%
14.	WEIGHTED COST OF SENIOR CAPITAL	NOT APPLICABLE			

SUPPORTING SCHEDULES:
(a) D-2
(b) E-1, PAGE 2 LINE 23

Southwest Transmission Cooperative, Inc.

SCHEDULE A-4

Construction Expenditures and Gross Utility Plant in Service 07/07/2004

LINE NO.			CONSTRUCTION EXPENDITURES			NET PLANT ADDITIONS		GROSS UTILITY PLANT IN SERVICE	
1.	12/31/2001	$	354,760	(a)	$	-	$	114,346,627	(d)
2.	12/31/2002		3,994,608	(a)		932,587		115,279,214	(c)
3.	12/31/2003		6,483,265	(a)		2,568,683		117,847,897	(c)
4.	2004		22,934,242	(b)		22,508,773		140,356,670	
5.	2005		6,029,000	(b)		6,246,870		146,603,540	
6.	2006	$	12,706,000	(b)	$	12,804,230	$	159,407,770	

SUPPORTING SCHEDULES
(a) E-3 Line 14 (b) F-3 line145
(c) E-1, Page 1, Line 1 (d) E-1, Page 1, Line 1

Southwest Transmission Cooperative, Inc.
Summary of Changes in Financial Position

SCHEDULE A-5
07/07/2004

LINE NO.		-PRIOR YEARS (a)- 12/31/2001	12/31/2002	TEST YEAR 12/31/2003	12 MOS. ENDED 12/31/2003 PRESENT RATES (b)	PROPOSED RATES (b)
1.	NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 108,465	$ 8,254,612	$ 10,892,724	$ 5,559,496	$ 9,226,164
2.	NET CASH USED IN INVESTING ACTIVITIES	(259,237)	(4,305,997)	(6,497,020)	(6,497,020)	(6,497,020)
3.	NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(2,928,356)	(5,723,961)	223,005	223,005	223,005
4.	NET DECREASE IN CASH AND CASH EQ.	$ (3,079,128)	$ (1,775,346)	$ 4,618,709	$ (714,519)	$ 2,952,149

SUPPORTING SCHEDULES
(a) E-3
(b) F-2

B

Southwest Transmission Cooperative, Inc.

Summary Of Original Cost Rate Base

LINE NO.		ORIGINAL COST RATE BASE*	
1.	GROSS UTILITY PLANT IN SERVICE	$ 131,520,683	(a)
2.	LESS: ACCUMULATED DEPRECIATION & AMORT.	(55,772,833)	(a)
3.	NET UTILITY PLANT IN SERVICE	75,747,850	(a)
	LESS:		
4.	CUSTOMER ADVANCES FOR CONSTRUCTION	-	
5.	CONTRIBUTION IN AID OF CONSTRUCTION	-	
6.	ADD: ALLOWANCE FOR WORKING CAPITAL	3,122,116	(b)
7.	PLANT HELD FOR FUTURE USE	377,214	(c)
8	DEFERRED DEBITS	145,705	(d)
9.	TOTAL RATE BASE	$ 79,392,886	(e)

• INCLUDING PRO FORMA ADJUSTMENTS

SUPPORTING SCHEDULES
(a) B-2 Line 8
(b) B-2 Line 11
(c) E-5, PAGE 2
(d) E-1, PAGE 1

RECAP SCHEDULES
(e) A-1

Southwest Transmission Cooperative, Inc.
Summary Of Original Cost Rate Base

SCHEDULE B-2
07/07/2004

LINE NO.		ACTUAL AT END OF TEST YEAR 12/31/2003 (a)	PRO FORMA ADJUSTMENTS 12/31/2003 (a)	ADJUSTED AT END OF TEST YEAR 12/31/2003
	TRANSMISSION:			
1.	GROSS PLANT	$ 98,126,486	$ 13,541,960	$ 111,668,446
2.	ACCUMULATED DEPRECIATION	(46,672,447)	-	(46,672,447)
3.	NET PLANT	51,454,039	13,541,960	64,995,999
	GENERAL & INTANGIBLE:			
4.	GROSS PLANT	19,344,198	508,040	19,852,238
5.	ACCUMULATED DEPRECIATION	(8,116,710)	-	(8,116,710)
6.	NET PLANT	11,227,488	508,040	11,735,528
7.	RWIP	25,756	-	25,756
8.	TOTAL GROSS PLANT	117,470,683	14,050,000	131,520,683 (b)
9.	TOTAL ACCUM. DEPRECIATION & R	(54,763,401)	-	(54,763,401)
10.	ACCUMULATED AMORTIZATION	(1,009,432)	-	(1,009,432)
11.	TOTAL ACCUM DEPREC.& AMORT	(55,772,833)	-	(55,772,833)
12.	TOTAL NET PLANT	$ 61,697,850	$ 14,050,000	$ 75,747,850

SUPPORTING SCHEDULES
(a) E-5, PAGES 1 AND 2

RECAP SCHEDULES
(b) B-1 Lines 1,2 and 3

Southwest Transmission Cooperative, Inc.
RCND Rate Base Pro Forma Adjustments

SCHEDULE B-3
07/07/2004

LINE NO.		ACTUAL AT END OF TEST YEAR 12/31/2003	PRO FORMA ADJUSTMENTS 12/31/2003	ADJUSTED AT END OF TEST YEAR 12/31/2003
		(a)	(a)	(a) (b)
1.	GROSS UTILITY PLANT IN SERVICE	$ -	$ -	$ -
2.	LESS: ACCUMULATED DEPRECIATION	-	-	-
3.	NET UTILITY PLANT IN SERVICE	$ -	$ -	$ -

SUPPORTING SCHEDULES
(a) B-4

RECAP SCHEDULES
(b) B-1

Southwest Transmission Cooperative, Inc.

Summary Of Original Cost Rate Base

SCHEDULE B-4
07/07/2004

LINE NO.		RCN	DEPRECIATION	RCND	PRO FORMA ADJUSTMENT	ADJUSTED RCND
	INTANGIBLE PLANT:					
1.	301 ORGANIZATION	$ -	$ -	$ -	$ -	$ -
2.	114 ACQUISITION ADJUSTMENT	-	-	-	-	-
3.	302 FRANCHISE AND CONSENT	-	-	-	-	-
4.	303 MISC. INTANGIBLE PLANT	-	-	-	-	-
5.	SUBTOTAL INTANGIBLE	-	-	-	-	-
	TRANSMISSION PLANT					
6.	350 LAND AND LAND RIGHTS	-	-	-	-	-
7.	352 STRUCTURES AND IMPROVEMENTS	-	-	-	-	-
8.	353 STATION EQUIPMENT	-	-	-	-	-
9.	354 TOWERS & FIXTURES	-	-	-	-	-
10.	355 POLES & FIXTURES	-	-	-	-	-
11.	356 OVERHEAD CONDUCTORS & DEVICES	-	-	-	-	-
12.	359 ROADS & TRAILS	-	-	-	-	-
13.	SUBTOTAL TRANSMISSION PLANT	-	-	-	-	-
	GENERAL PLANT:					
14.	389 LAND AND LAND RIGHTS	-	-	-	-	-
15.	390 STRUCTURES AND IMPROVEMENTS	-	-	-	-	-
16.	391 OFFICE FURNITURE & EQUIPMENT	-	-	-	-	-
17.	392 TRANSPORTATION EQUIPMENT	-	-	-	-	-
18.	393 STORES EQUIPMENT	-	-	-	-	-
19.	394 TOOLS, SHOP & GARAGE EQUIPMENT	-	-	-	-	-
20.	395 LABORATORY EQUIPMENT	-	-	-	-	-
21.	396 POWER OPERATED EQUIPMENT	-	-	-	-	-
22.	397 COMMUNICATION EQUIPMENT	-	-	-	-	-
23.	398 MISCELLANEOUS EQUIPMENT	-	-	-	-	-
24.	399 OTHER TANGIBLE PLANT	-	-	-	-	-
25.	SUBTOTAL GENERAL PLANT	-	-	-	-	-
30.	SUBTOTAL GENERAL	-	-	-	-	-
31.	TOTAL (a)	$ -	$ -	$ -	$ -	$ -

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

Southwest Transmission Cooperative, Inc.

Computation Of Working Capital

LINE NO.			
1.	CASH WORKING CAPITAL	$ -	(a)
2.	MATERIALS AND SUPPLIES	858,420	(b)
3.	PREPAYMENTS	908,046	(c)
4.	CFC CERTIFICATES & BONDS	1,355,651	/1
5.	TOTAL WORKING CAPITAL	$3,122,116	(d)

SUPPORTING SCHEDULES
(a) B-5, PAGE 2 (b) B-5, PAGE 3
(c) B-5, PAGE 4 (d) B-5, PAGE 5

RECAP SCHEDULES
(e) B-1 Line 6

/1 REFERENCE DECEMBER GENERAL LEDGER

Southwest Transmission Cooperative, Inc.

Calculation of Cash Working Capital

LINE NO.			
1.	TOTAL PRO FORMA O & M EXPENSES EXCL PRO FORMA FUEL & OTHER EXP		$ -
	NET OTHER O & M EXPENSE LAG		
2.	A. DAYS		-
3.	B. PERCENT	0.00%	
4.	CASH WORKING CAPITAL OTHER THAN FUEL		-
5.	FUEL EXPENSE		-
	FUEL EXPENSE LAG:		
6.	A. LAG IN REVENUES (DAYS)		-
7.	B. LAG IN EXPENSES (DAYS)		-
8.	C. NET LAG -DAYS		-
9.	D. PERCENT	0.00%	
10.	CASH WORKING CAPITAL FUEL		-
11.	TOTAL CASH WORKING CAPITAL		$ -

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

Southwest Transmission Cooperative, Inc.

Calculation of Materials & Supplies Working Capital

LINE NO.		PER BOOKS	PRO FORMA ADJUSTMENTS	AS ADJUSTED	
1.	DECEMBER (Prior Yr)	$ 839,883	$ -	$ 839,883	
2.	JANUARY	845,237	-	845,237	
3.	FEBRUARY	845,435	-	845,435	
4.	MARCH	860,498	-	860,498	
5.	APRIL	849,761	-	849,761	
6.	MAY	844,738	-	844,738	
7.	JUNE	845,081	-	845,081	
8.	JULY	861,774	-	861,774	
9.	AUGUST	866,317	-	866,317	
10.	SEPTEMBER	864,534	-	864,534	
11.	OCTOBER	852,361	-	852,361	
12.	NOVEMBER	852,730	-	852,730	
13.	DECEMBER	931,106	-	931,106	
14.	TOTAL	$ 11,159,455	$ -	$ 11,159,455	
15.	13-MONTH AVERAGE	$ 858,420	$ -	$ 858,420	(a)

SUPPORTING SCHEDULES:

RECAP SCHEDULE:
(a) B-5, PAGE 1

Southwest Transmission Cooperative, Inc.
Calculation of Prepayments Working Capital

LINE NO.		PER BOOKS	PRO FORMA ADJUSTMENTS	AS ADJUSTED
1.	DECEMBER (Prior Yr)	$ 1,100,074	$ -	$ 1,100,074
2.	JANUARY	1,046,904	-	1,046,904
3.	FEBRUARY	963,918	-	963,918
4.	MARCH	846,793	-	846,793
5.	APRIL	730,385	-	730,385
6.	MAY	624,672	-	624,672
7.	JUNE	542,245	-	542,245
8.	JULY	967,330	-	967,330
9.	AUGUST	816,682	-	816,682
10.	SEPTEMBER	1,071,225	-	1,071,225
11.	OCTOBER	1,001,338	-	1,001,338
12.	NOVEMBER	1,021,059	-	1,021,059
13.	DECEMBER	1,071,971	-	1,071,971
14.	TOTAL	$11,804,596	$ -	$11,804,596
15.	13-MONTH AVERAGE	$908,046	$ -	$908,046 (a)

SUPPORTING SCHEDULES:

RECAP SCHEDULES:
(a) B-5, PAGE 1

C

Southwest Transmission Cooperative, Inc.

Reclassified Year End Income Statement

LINE NO.		TEST YEAR 12/31/2003 (a)	RECLASSIFIED ADJUST. (b)	RECL TEST 12/31/2003 (c)
	REVENUES			
1.	NETWORK TRANSMISSION SERVICE	$ 13,104,192	$ -	$ 13,104,192
2.	POINT-TO -POINT	7,874,658	-	7,874,658
3.	TOTAL ELECTRIC REVENUE:	20,978,850	-	20,978,850
4.	LOAD DISPATCH & SYSTEM CONTROL	2,849,028	(22,676)	2,826,352
5.	DIRECT ACCESS FACILITIES	510,093	-	510,093
6.	REGULATORY ASSET CHARGE	2,707,122	-	2,707,122
7.	OTHER OPERATING REVENUE	408,910	4,408	413,318
8.	ANCILLARY SERVICES FROM AEPCO	2,854,461	(2,854,461)	-
9.	SPECIAL CONTRACTS	3,706,057	(8,033)	3,698,024
10.	TOTAL OPERATING REVENUE	34,014,521	(2,880,762)	31,133,759
	OPERATING EXPENSES:			
11.	OPERATIONS			
12.	- ENERGY A/C 555	-	-	-
13.	A/C 556	3,289,665	(818,079)	2,471,586
14.	A/C 557	3,946	-	3,946
15.	TRANSMISSION			
16.	A/C 560	1,571,242	-	1,571,242
17.	A/C 561	635	-	635
18.	A/C 562	1,122,477	(866,109)	256,368
19.	A/C 563	819,121	(798,153)	20,968
20.	A/C 565	7,210,318	(2,184,387)	5,025,931
21.	A/C 566	597,266	-	597,266
22.	A/C 567	106,246	-	106,246
23.	ADMINISTRATIVE & GENERAL	3,874,615	(52,016)	3,822,599
24.	TOTAL OPERATIONS	18,595,531	(4,718,744)	13,876,787
25.	MAINTENANCE			
26.	A/C 568	22,952	-	22,952
27.	A/C 569	27,597	-	27,597
28.	A/C 570	857,360	-	857,360
29.	A/C 571	767,608	-	767,608
30.	A/C 573	710,738	-	710,738
31.	GENERAL PLANT	77	-	77
32.	TOTAL MAINTENANCE	2,386,332	-	2,386,332

Southwest Transmission Cooperative, Inc.

Reclassified Year End Income Statement

LINE NO.		TEST YEAR 12/31/2003 (a)	RECLASSIFIED ADJUST. (b)	RECL TEST YR 12/31/2003 (c)
	OTHER:			
33.	DEPRECIATION & AMORTIZATION	6,435,586	-	6,435,586
34.	ACC GROSS REVENUE TAXES	-	-	-
35.	OTHER TAXES	2,872	1,864,283	1,867,155
36.	TOTAL OTHER	6,438,458	1,864,283	8,302,741
37.	TOTAL OPERATING EXPENSES	27,420,321	(2,854,461)	24,565,860
38.	OPERATING INCOME (MARGINS)	6,594,200	(26,301)	6,567,899
	INTEREST & OTHER DEDUCTIONS:			
39.	LONG-TERM DEBT	4,155,671	-	4,155,671
40.	INTEREST CHARGED TO CONSTR	(22,860)	-	(22,860)
41.	OTHER INTEREST EXPENSE	2,985	-	2,985
42.	OTHER DEDUCTIONS	713,706	(22,676)	691,030
43.	TOTAL INTEREST EXPENSE	4,849,502	(22,676)	4,826,826
44.	MARGIN AFTER INTEREST EXPENSE	1,744,698	(3,625)	1,741,073
	OTHER NON OPERATING INCOME:			
45.	INTEREST INCOME	172,901	-	172,901
46.	AFUDC	-	-	-
47.	OTHER NONOPERATING INCOME	104,346	3,625	107,971
48.	TOTAL OTHER INCOME & DEDUCT	277,247	3,625	280,872
49.	EXTRAORDINARY ITEMS	-	-	-
50.	NET INCOME (MARGINS)	$ 2,021,945	$ -	$ 2,021,945

SUPPORTING SCHEDULES:
(a) E-2 (b) C-2, Pages 5 & 6

RECAP SCHEDULE:
(c)A-2

Southwest Transmission Cooperative, Inc.

Adjusted Year End Income Statement

LINE NO.		RECL TEST YR 12/31/2003 (a)	PRO FORMA ADJUST. (b)	ADJ TEST YR 12/31/2003 (c)
	REVENUES			
1.	NETWORK TRANSMISSION SERVICE	$ 13,104,192	$ -	$ 13,104,192
2.	POINT-TO -POINT	7,874,658	(257,118)	7,617,540
3.	TOTAL ELECTRIC REVENUE:	20,978,850	(257,118)	$20,721,732
4.	LOAD DISPATCH & SYSTEM CONTROL	2,826,352	(2,128)	2,824,224
5.	DIRECT ACCESS FACILITIES	510,093	5,487	515,580
6.	REGULATORY ASSET CHARGE	2,707,122	-	2,707,122
7.	OTHER OPERATING REVENUE	413,318	-	413,318
8.	ANCILLARY SERVICES FROM AEPCO	-	-	-
9.	SPECIAL CONTRACTS	3,698,024	(3,024,682)	673,342
10.	TOTAL OPERATING REVENUE	31,133,759	(3,278,441)	27,855,318
	OPERATING EXPENSES:			
11.	OPERATIONS			
12.	-ENERGY A/C 555	-	-	-
13.	A/C 556	2,471,586	65,802	2,537,388
14.	A/C 557	3,946	-	3,946
15.	TRANSMISSION			
16.	A/C 560	1,571,242	46,228	1,617,470
17.	A/C 561	635	-	635
18.	A/C 562	256,368	10,640	267,008
19.	A/C 563	20,968	6	20,974
20.	A/C 565	5,025,931	-	5,025,931
21.	A/C 566	597,266	14,067	611,333
22.	A/C 567	106,246	-	106,246
23.	ADMINISTRATIVE & GENERAL	3,822,599	49,558	3,872,157
24.	TOTAL OPERATIONS	13,876,787	186,301	14,063,088
25.	MAINTENANCE			
26.	A/C 568	22,952	636	23,588
27.	A/C 569	27,597	-	27,597
28.	A/C 570	857,360	14,823	872,183
29.	A/C 571	767,608	17,325	784,933
30.	A/C 573	710,738	10,351	721,089
31.	GENERAL PLANT	77	2	79
32.	TOTAL MAINTENANCE	2,386,332	43,137	2,429,469

Southwest Transmission Cooperative, Inc.
Adjusted Year End Income Statement

LINE NO.		RECL TEST YR 12/31/2003 (a)	PRO FORMA ADJUST. (b)	ADJ TEST YR 12/31/2003 (c)
	OTHER:			
33.	DEPRECIATION & AMORTIZATION	6,435,586	416,521	6,852,107
34.	ACC GROSS REVENUE TAXES	-	-	-
35.	OTHER TAXES	1,867,155	418,690	2,285,845
36.	TOTAL OTHER	8,302,741	835,211	9,137,952
37.	TOTAL OPERATING EXPENSES	24,565,860	1,064,649	25,630,509
38.	OPERATING INCOME (MARGINS)	6,567,899	(4,343,090)	2,224,809
	INTEREST & OTHER DEDUCTIONS:			
39.	LONG-TERM DEBT	4,155,671	1,012,742	5,168,413
40.	INTEREST CHARGED TO CONSTR	(22,860)	-	(22,860)
41.	OTHER INTEREST EXPENSE	2,985	-	2,985
42.	OTHER DEDUCTIONS	691,030	(439,125)	251,905
43.	TOTAL INTEREST EXPENSE	4,826,826	573,617	5,400,443
44.	MARGIN AFTER INTEREST EXPENSE	1,741,073	(4,916,707)	(3,175,634)
	OTHER NON OPERATING INCOME:			
45.	INTEREST INCOME	172,901	-	172,901
46.	AFUDC	-	-	-
47.	OTHER NONOPERATING INCOME	107,971	-	107,971
48.	TOTAL OTHER INCOME & DEDU	280,872	-	280,872
49.	EXTRAORDINARY ITEMS	-	-	-
50.	NET INCOME (MARGINS)	$ 2,021,945	$ (4,916,707)	$ (2,894,762)

SUPPORTING SCHEDULES:
(a) E-2 (b) C-2, Pages 5 & 6

RECAP SCHEDULE:
(c)A-2

Southwest Transmission Cooperative, Inc.

Income Statement Pro Forma Adjustments

LINE NO.		RECLASSIFY SWTCO REVENUES (a)	RECLASSIFY PROP. TAX EXPENSE (b)	MESA 17 CONTRACT TERMIN. (c)	THATCHER SALES ADJUST. (d)	MEC SALES ADJUST. (e)
	REVENUES					
1.	NETWORK TRANSMISSION SERVICE	$ -	$ -	$ -	$ -	$ -
2.	POINT-TO -POINT	-	-	(245,438)	(11,680)	-
3.	TOTAL ELECTRIC REVENUE:	-	-	(245,438)	(11,680)	-
4.	LOAD DISPATCH & SYSTEM CONTROL	(22,676)	-	(36,925)	(2,110)	-
5.	DIRECT ACCESS FACILITIES	-	-	-	-	-
6.	REGULATORY ASSET CHARGE	-	-	-	-	-
7.	OTHER OPERATING REVENUE	4,408	-	-	-	-
8.	ANCILLARY SERVICES FROM AEPCO	(2,854,461)	-	-	-	-
9.	SPECIAL CONTRACTS	(8,033)	-	-	-	19,870
10.	TOTAL OPERATING REVENUE	(2,880,762)	-	(282,363)	(13,790)	19,870
					-	-
	OPERATING EXPENSES:					
11.	-ENERGY OPERATIONS A/C555	-	-	-	-	-
12.	OPERATIONS					
13.	A/C 556	(670,074)	(148,005)	-	-	-
14.	A/C 557	-	-	-	-	-
15.	TRANSMISSION				-	-
16.	A/C 560	-	-	-	-	-
17.	A/C 561	-	-	-	-	-
18.	A/C 562	-	(866,109)	-	-	-
19.	A/C 563	-	(798,153)	-	-	-
20.	A/C 565	(2,184,387)	-	-	-	-
21.	A/C 566	-	-	-	-	-
22.	A/C 567	-	-	-	-	-
23.	ADMINISTRATIVE & GENERAL	-	(52,016)	-	-	-
24.	TOTAL OPERATIONS	(2,854,461)	(1,864,283)	-	-	-
					-	-
25.	MAINTENANCE					
26.	A/C 568	-	-	-	-	-
27.	A/C 569	-	-	-	-	-
28.	A/C 570	-	-	-	-	-
29.	A/C 571	-	-	-	-	-
30.	A/C 573	-	-	-	-	-
31.	GENERAL PLANT	-	-	-	-	-
32.	TOTAL MAINTENANCE	-	-	-	-	-

Southwest Transmission Cooperative, Inc.

Income Statement Pro Forma Adjustments

LINE NO.		RECLASSIFY SWTCO REVENUES (a)	RECLASSIFY PROP. TAX EXPENSE (b)	MESA 17 CONTRACT TERMIN. (c)	THATCHER SALES ADJUST. (d)	MEC SALES ADJUST. (e)
33.	DEPRECIATION & AMORTIZATION	-	-	-	-	-
34.	ACC GROSS REVENUE TAXES	-	-	-	-	-
35.	OTHER TAXES	-	1,864,283	-	-	-
36.	TOTAL OTHER	-	1,864,283	-	-	-
37.	TOTAL OPERATING EXPENSES	(2,854,461)	-	-	-	-
38.	OPERATING INCOME (MARGINS)	(26,301)	-	(282,363)	(13,790)	19,870
	INTEREST & OTHER DEDUCTIONS:	-	-	-	-	-
39.	LONG-TERM DEBT	-	-	-	-	-
40.	INTEREST CHARGED TO CONSTR	-	-	-	-	-
41.	OTHER INTEREST EXPENSE	-	-	-	-	-
42.	OTHER DEDUCTIONS	(22,676)	-	-	-	-
43.	TOTAL INTEREST EXPENSE	(22,676)	-	-	-	-
44.	MARGIN AFTER INTEREST EXPENSE	(3,625)	-	(282,363)	(13,790)	19,870
	OTHER NON OPERATING INCOME:					
45.	INTEREST INCOME	-	-	-	-	-
46.	AFUDC	-				
47.	OTHER NONOPERATING INCOME	3,625	-	-	-	-
48.	TOTAL OTHER INCOME & DEDU	3,625	-	-	-	-
49.	EXTRAORDINARY ITEMS	-	-	-	-	-
50.	NET INCOME (MARGINS)	$ -	$ -	$ (282,363)	$ (13,790)	$ 19,870

SUPPORTING SCHEDULES:
(a) C-2A
(b) C-2B
(c) C-2C
(d) C-2D
(e) C-2E

Southwest Transmission Cooperative, Inc.

Income Statement Pro Forma Adjustments

LINE NO.		INC. FOR DAF REV. (f)	ANNUALIZE REV. CHANGES MWE N.F. WHEELING (g)	ANNUALIZE REV. CHANGES SAFFORD CONTRACT (h)	ANNUALIZE INC. PAYROLL BENEFITS & TAXES (i)	WINCHESTER INCREASE DEPRECIATION INS. & TAXES (j)	ANNUALIZE DEPRECIATION & AMORTIZATION (k)
	REVENUES						
1.	NETWORK TRANSMISSION SERVICE	$ -	$ -	$ -	$ -	$ -	$ -
2.	POINT-TO -POINT	-	-	-	-	-	-
3.	TOTAL ELECTRIC REVENUE:	-	-	-	-	-	-
4.	LOAD DISPATCH & SYSTEM CONTROL	-	-	-	-	-	-
5.	DIRECT ACCESS FACILITIES	5,487	-	-	-	-	-
6.	REGULATORY ASSET CHARGE	-	-	-	-	-	-
7.	OTHER OPERATING REVENUE	-	-	36,907	-	-	-
8.	ANCILLARY SERVICES FROM AEPCO	-	-	-	-	-	-
9.	SPECIAL CONTRACTS	-	(2,823,017)	(221,535)	-	-	-
10.	TOTAL OPERATING REVENUE	5,487	(2,823,017)	(184,628)	-	-	-
	OPERATING EXPENSES:						
11.	-ENERGY OPERATIONS A/C555	-	-	-	-	-	-
12.	OPERATIONS	-	-	-	-	-	-
13.	A/C 556	-	-	-	65,802	-	-
14.	A/C 557	-	-	-	-	-	-
15.	TRANSMISSION	-	-	-	-	-	-
16.	A/C 560	-	-	-	46,228	-	-
17.	A/C 561	-	-	-	-	-	-
18.	A/C 562	-	-	-	5,640	5,000	-
19.	A/C 563	-	-	-	6	-	-
20.	A/C 565	-	-	-	-	-	-
21.	A/C 566	-	-	-	14,067	-	-
22.	A/C 567	-	-	-	-	-	-
23.	ADMINISTRATIVE & GENERAL	-	-	-	49,558	-	-
24.	TOTAL OPERATIONS	-	-	-	181,301	5,000	-
25.	MAINTENANCE						
26.	A/C 568	-	-	-	636	-	-
27.	A/C 569	-	-	-	-	-	-
28.	A/C 570	-	-	-	14,823	-	-
29.	A/C 571	-	-	-	17,325	-	-
30.	A/C 573	-	-	-	10,351	-	-
31.	GENERAL PLANT	-	-	-	2	-	-
32.	TOTAL MAINTENANCE	-	-	-	43,137	-	-

Southwest Transmission Cooperative, Inc.

Income Statement Pro Forma Adjustments

LINE NO.		INC. FOR DAF REV. (f)	ANNUALIZE REV. CHANGES MWE N.F. WHEELING (g)	ANNUALIZE REV. CHANGES SAFFORD CONTRACT (h)	ANNUALIZE INC. PAYROLL BENEFITS & TAXES (i)	WINCHESTER INCREASE DEPRECIATION INS. & TAXES (j)	ANNUALIZE DEPRECIATION & AMORTIZATION (k)
33.	DEPRECIATION & AMORTIZATION	-	-	-	-	386,375	30,146
34.	ACC GROSS REVENUE TAXES	-	-	-	-	-	-
35.	OTHER TAXES	-	-	-	-	418,690	-
36.	TOTAL OTHER	-	-	-	-	805,065	30,146
37.	TOTAL OPERATING EXPENSES	-	-	-	224,438	810,065	30,146
38.	OPERATING INCOME (MARGINS)	5,487	(2,823,017)	(184,628)	(224,438)	(810,065)	(30,146)
	INTEREST & OTHER DEDUCTIONS:	-	-	-	-	-	-
39.	LONG-TERM DEBT	-	-	-	-	-	-
40.	INTEREST CHARGED TO CONSTR	-	-	-	-	-	-
41.	OTHER INTEREST EXPENSE	-	-	-	-	-	-
42.	OTHER DEDUCTIONS	-	-	-	-	-	-
43.	TOTAL INTEREST EXPENSE	-	-	-	-	-	-
44.	MARGIN AFTER INTEREST EXPENSE	5,487	(2,823,017)	(184,628)	(224,438)	(810,065)	(30,146)
	OTHER INCOME & DEDUCTIONS:						
45.	INTEREST INCOME	-	-	-	-	-	-
46.	AFUDC	-	-	-	-	-	-
47.	OTHER NONOPERATING INCOME	-	-	-	-	-	-
48.	TOTAL OTHER INCOME & DEDU	-	-	-	-	-	-
49.	EXTRAORDINARY ITEMS	-	-	-	-	-	-
50.	NET INCOME (MARGINS)	$ 5,487	$ (2,823,017)	$ (184,628)	$ (224,438)	$ (810,065)	$ (30,146)

SUPPORTING SCHEDULES:
(g) C-2G
(h) C-2H
(i) C-2I
(j) C-2J
(k) C-2K

Southwest Transmission Cooperative, Inc.

Income Statement Pro Forma Adjustments

LINE NO.		WINCHESTER INC. INTEREST L.T. DEBT (l)	INC. INTEREST EXPENSE A-8 LOAN DRAW (m)	ANNUALIZE INT. ON L.T. BASED ON DEBT BAL. 1/1/04 (n)	OTHER DEDUCTIONS (o)	TOTAL ADJUSTMENTS
	REVENUES					
1.	NETWORK TRANSMISSION SERVICE	$ -	$ -	$ -	$ -	$ -
2.	POINT-TO -POINT	-	-	-	-	(257,118)
3.	TOTAL ELECTRIC REVENUE:	-	-	-	-	(257,118)
4.	LOAD DISPATCH & SYSTEM CONTROL	-	-	-	-	(61,711)
5.	DIRECT ACCESS FACILITIES	-	-	-	-	5,487
6.	REGULATORY ASSET CHARGE	-	-	-	-	-
7.	OTHER OPERATING REVENUE	-	-	-	-	41,315
8.	ANCILLARY SERVICES FROM AEPCO	-	-	-	-	(2,854,461)
9.	SPECIAL CONTRACTS	-	-	-	-	(3,032,715)
10.	TOTAL OPERATING REVENUE	-	-	-	-	(6,159,203)
	OPERATING EXPENSES:					
11.	-ENERGY OPERATIONS A/C555	-	-	-	-	-
12.	OPERATIONS					
13.	A/C 556	-	-	-	-	(752,277)
14.	A/C 557	-	-	-	-	-
15.	TRANSMISSION				-	
16.	A/C 560	-	-	-	-	46,228
17.	A/C 561	-	-	-	-	-
18.	A/C 562	-	-	-	-	(855,469)
19.	A/C 563	-	-	-	-	(798,147)
20.	A/C 565	-	-	-	-	-
21.	A/C 566	-	-	-	-	14,067
22.	A/C 567	-	-	-	-	-
23.	ADMINISTRATIVE & GENERAL	-	-	-	-	(2,458)
24.	TOTAL OPERATIONS	-	-	-	-	(4,532,443)
25.	MAINTENANCE					
26.	A/C 568	-	-	-	-	636
27.	A/C 569	-	-	-	-	-
28.	A/C 570	-	-	-	-	14,823
29.	A/C 571	-	-	-	-	17,325
30.	A/C 573	-	-	-	-	10,351
31.	GENERAL PLANT	-	-	-	-	2
32.	TOTAL MAINTENANCE	-	-	-	-	43,137

Southwest Transmission Cooperative, Inc.

Income Statement Pro Forma Adjustments

07/07/2004

LINE NO.		WINCHESTER INC. INTEREST L.T. DEBT (l)	INC. INTEREST EXPENSE A-8 LOAN DRAW (m)	ANNUALIZE INT. ON L.T. BASED ON DEBT BAL. 1/1/04 (n)	OTHER DEDUCTIONS (o)	TOTAL ADJUSTMENTS
33.	DEPRECIATION & AMORTIZATION	-	-	-	-	416,521
34.	ACC GROSS REVENUE TAXES	-	-	-	-	-
35.	OTHER TAXES	-	-	-	-	2,282,973
36.	TOTAL OTHER	-	-	-	-	-
37.	TOTAL OPERATING EXPENSES	-	-	-	-	(1,789,812)
38.	OPERATING INCOME (MARGINS)	-	-	-	-	(4,369,391)
	INTEREST & OTHER DEDUCTIONS:					
39.	LONG-TERM DEBT	750,270	242,682	19,790	-	1,012,742
40.	INTEREST CHARGED TO CONSTR	-	-	-	-	-
41.	OTHER INTEREST EXPENSE	-	-	-	-	-
42.	OTHER DEDUCTIONS	-	-	-	(439,125)	2,699,494
43.	TOTAL INTEREST EXPENSE	750,270	242,682	19,790	(439,125)	550,941
44.	MARGIN AFTER INTEREST EXPENSE	(750,270)	(242,682)	(19,790)	439,125	(4,920,332)
	OTHER INCOME & DEDUCTIONS:					
45.	INTEREST INCOME	-	-	-	-	-
46.	AFUDC	-	-	-	-	-
47.	OTHER NONOPERATING INCOME	-	-	-	-	3,625
48.	TOTAL OTHER INCOME & DEDU	-	-	-	-	3,625
49.	EXTRAORDINARY ITEMS	-	-	-	-	-
50.	NET INCOME (MARGINS)	$ (750,270)	$ (242,682)	$ (19,790)	$ 439,125	$ (4,916,707)

SUPPORTING SCHEDULES:
(m) C-2M
(n) C-2N
(o) C-2O

Southwest Transmission Cooperative, Inc.

Computation Of Gross Revenue Conversion Factor

LINE NO.		PERCENTAGE OF INCREMENTAL GROSS REVENUES
1.	FEDERAL INCOME TAX RATE	0.00000
2.	STATE INCOME TAX RATE	0.00000
3.	CORPORATION COMMISSION GROSS REVENUE TAX RATE	0.00000
4.	TOTAL TAX PERCENTAGE	0.00000
5.	OPERATING INCOME PERCENT	0.00000
6.	GROSS REVENUE CONVERSION FACTOR (a)	0.00000

RECAP SCHEDULES:
(a) A-1 Line 7

D

Southwest Transmission Cooperative, Inc.

SCHEDULE D-1

Summary Cost of Capital

07/07/2004

END OF ACTUAL TEST YEAR 12/31/2003

LINE NO.	INVESTED CAPITAL		AMOUNT (b)	%	COST RATE	COMPOSITE (b)
1.	LONG-TERM DEBT (a)	$	87,591,547	100.00%	5.67%	5.67%
2.	SHORT-TERM DEBT (a)		-	0.00%	0.00%	0.00%
3.	TOTAL	$	87,591,547	100.00%	5.67%	5.67%

END OF PROJECTED YEAR 12/31/2003

	INVESTED CAPITAL		AMOUNT (b)	%	COST RATE	COMPOSITE (b)
4.	LONG-TERM DEBT (a)	$	93,090,041	100.00%	5.58%	5.58%
5.	SHORT-TERM DEBT (a)		-	0.00%	0.00%	0.00%
6.	TOTAL	$	93,090,041	100.00%	5.58%	5.58%

SUPPORTING SCHEDULES:
(a) D-2

RECAP SCHEDULES:
(b) A-3

Southwest Transmission Cooperative, Inc.

Cost Of Long-Term and Short-Term Debt

SCHEDULE D-2
07/07/2004

LINE NO.		END OF TEST YEAR OUTSTANDING	PERCENT TO TOTAL	12/31/2003 INTEREST RATE	END OF PROJECTED YEAR OUTSTANDING	PERCENT TO TOTAL	INTEREST RATE
1.	FFB DEBT	$ 58,962,815	67.32%	6.02%	$ 66,462,699	71.40%	5.86%
2.	REA DEBT	2,344,112	2.68%	4.45%	1,941,140	2.09%	4.48%
3.	CFC SERIES 1997C BONDS	3,572,082	4.08%	4.91%	2,741,365	2.95%	4.93%
4.	CFC SERIES 1994A BONDS	8,632,939	9.86%	1.05%	8,404,900	9.03%	1.00%
5.	CENTRAL BANK FOR COOPERATIVES	13,193,086	15.06%	7.74%	12,733,423	13.68%	7.74%
6.	NRUCFC	886,512	1.01%	2.60%	806,514	0.87%	2.70%
7.	TOTAL LONG-TERM (b)	$ 87,591,547			$ 93,090,041		
8.	COST RATE (b)		100.000%	5.67%		100.00%	5.58%
	SHORT TERM:						
9.	SHORT-TERM DEBT	-		-	-		-
10.	COST RATE			0.00% (b)			0.00% (b)

RECAP SCHEDULES:
(b) D-1

Southwest Transmission Cooperative, Inc.

Cost Of Long-Term and Short-Term Debt

SCHEDULE D-2A
07/07/2004

LINE NO.		EOY 2001 OUTSTANDING (a)	EOY 2001 PERCENT TO TOTAL	EOY 2001 INTEREST RATE	EOY 2002 OUTSTANDING (a)	EOY 2002 PERCENT TO TOTAL	EOY 2002 INTEREST RATE
1.	FFB DEBT	$ 60,953,371	65.39%	6.21%	$ 57,001,795	65.15%	6.22%
2.	REA DEBT	3,112,214	3.34%	4.36%	2,735,971	3.13%	4.40%
3.	CFC SERIES 1997C BONDS	5,122,754	5.50%	4.80%	4,365,335	4.99%	4.86%
4.	CFC SERIES 1994A BONDS	9,023,865	9.68%	2.60%	8,828,402	10.09%	1.60%
5.	CENTRAL BANK FOR COOPERATIVES	13,963,861	14.98%	7.74%	13,601,929	15.55%	7.74%
6.	NRUCFC	1,036,709	1.11%	5.20%	963,198	1.10%	3.35%
7.	TOTAL LONG-TERM (b)	$ 93,212,775			$ 87,496,630		$0
8.	COST RATE (b)			5.94%			5.83%
	SHORT TERM:						
9.	SHORT-TERM DEBT	$0		$0	$0 (b)		0.00%
10.	COST RATE			0.00% (b)			0.00% (b)

RECAP SCHEDULES:
(b) A-3

Southwest Transmission Cooperative, Inc.

Cost Of Preferred Stock

SCHEDULE D-3

07/07/2004

NOT APPLICABLE

Southwest Transmission Cooperative, Inc.

Cost Of Common Stock

NOT APPLICABLE

E

Southwest Transmission Cooperative, Inc.

Comparative Balance Sheets

ASSETS:

LINE NO.		TEST YEAR 12/31/2003	PRIOR YEAR 12/31/2002	PRIOR YEAR 12/31/2001
	UTILITY PLANT: (a)			
1.	UTILITY PLANT IN SERVICE	$ 117,847,897	$ 115,279,214	$ 114,346,627
2.	LESS: ACCUMULATED DEPRECIATION	(55,772,833)	(52,463,708)	(50,105,807)
3.	NET UTILITY PLANT IN SERVICE	62,075,063	62,815,506	64,240,820
4.	CONSTRUCTION WORK IN PROGRESS	6,321,507	2,822,389	781,577
5.	PLANT HELD FOR FUTURE USE	-	-	-
6.	NET UTILITY PLANT	68,396,570	65,637,895	65,022,397
	CURRENT ASSETS:			
7.	GENERAL FUND CASH	275,116	268,264	345,273
8.	TEMPORARY INVESTMENTS	7,545,767	2,933,910	4,632,247
9.	ACCOUNTS RECEIVABLE	2,922,188	2,741,648	3,057,224
10.	FUEL INVENTORY	-	-	-
11.	MATERIALS AND SUPPLIES	931,106	839,883	909,486
12.	PREPAYMENTS & OTHER CURRENT ASSETS	1,016,363	943,419	1,489,491
13.	NOTES RECEIVABLE-CURRENT	-	-	-
14.	OTHER	192,353	191,490	197,736
15.	TOTAL CURRENT ASSETS	12,882,893	7,918,614	10,631,457
	OTHER ASSETS:			
16.	INV - ASSOC ORG	7,615	2,350,376	2,032,740
17.	INVESTMENTS	2,355,652	-	30,725
18.	DEFERRED DEBITS	145,705	151,113	154,632
19.	UNAMORTIZED DEBT	2,334,498	2,594,622	2,854,549
20.	REGULATORY ASSETS	11,487,486	14,194,633	17,238,071
21.	TOTAL OTHER ASSETS	16,330,955	19,290,744	22,310,717
22.	TOTAL ASSETS	$ 97,610,419	$ 92,847,253	$ 97,964,571

SUPPORTING SCHEDULES:
(a) E-5, PAGE 2

RECAP SCHEDULES:

Southwest Transmission Cooperative, Inc.

Comparative Balance Sheets

LIABILITIES & EQUITY:

LINE NO.		TEST YEAR 12/31/2003	PRIOR YEAR 12/31/2002	PRIOR YEAR 12/31/2001
	EQUITY: (a) (c)			
23.	PATRONAGE CAPITAL	$ 2,218,235	$ 1,521,695	$ 1,521,695
24.	UNALLOCATED LOSSES	2,021,945	696,540	290,969
25.	TOTAL EQUITY	4,240,180	2,218,235	1,812,664
	LONG-TERM DEBT: (b)			
26.	FFB DEBT	58,962,815	57,001,795	60,953,371
27.	REA DEBT	2,344,112	2,735,971	3,112,214
28.	CFC 1997C BONDS	3,572,082	4,365,335	5,122,754
29.	CFC 1997A BONDS	8,632,939	8,828,402	9,023,865
30.	CBC	13,193,086	13,601,929	13,963,861
31.	NRUCFC	886,512	963,198	1,036,709
32.	CUSHION OF CREDIT	(825,965)	-	-
33.	TOTAL LONG-TERM DEBT	86,765,581	87,496,630	93,212,775
	CURRENT LIABILITIES:			
34.	MEMBER ADVANCES & NOTES	-	-	-
35.	ACCOUNTS PAYABLE	4,371,492	1,402,371	663,426
36.	ACCRUED TAXES	934,644	796,406	945,299
37.	ACCRUED INTEREST	423,221	444,789	518,147
38.	CURRENT LIABILITY - OTHER	620,289	387,497	312,730
39.	CURRENT MATURITIES OF LONG TERM DEBT	-	-	-
40.	TOTAL CURRENT LIABILITIES	6,349,646	3,031,063	2,439,602
41.	ACCUMULATED OPERATING PROVISIONS	70,820	45,220	13,300
42.	DEFERRED CREDITS	184,193	56,105	486,232
43.	TOTAL LIABILITIES AND EQUITY	$ 97,610,419	$ 92,847,253	$ 97,964,573

SUPPORTING SCHEDULES:
(a) E-4
(b) D-2, D-2A AND GENERAL LEDGER

RECAP SCHEDULES:
(c) A-3 Line 5

Southwest Transmission Cooperative, Inc.
Comparative Income Statements

LINE NO.		TEST YEAR 12/31/2003	PRIOR YEAR 12/31/2002	PRIOR YEAR 12/31/2001
	REVENUES:			
1.	CLASS A & NETWORK MEMBERS	$ 13,104,192	$ 12,992,195	$ 3,122,672
2.	POINT-TO -POINT	7,874,658	10,182,487	1,967,917
3.	NON-CLS A, NON-FIRM & NON-ME	12,626,761	1,618,505	882,078
4.	TOTAL ELECTRIC REVENUE:	33,605,611	24,793,187	5,972,668
5.	OTHER OPERATING REVENUE	408,910	5,310,018	5,493,314
6.	TOTAL OPERATING REVENUE	34,014,521	30,103,205	11,465,982
	OPERATING EXPENSES:			
	OPERATIONS			
7.	- ENERGY A/C 555	-	-	-
8.	A/C 556	3,289,665	3,124,276	1,289,724
9.	A/C 557	3,946	(283)	3,360
10.	TRANSMISSION			
11.	A/C 560	1,571,242	1,401,049	664,492
12.	A/C 561	635	928	383
13.	A/C 562	1,122,477	961,942	558,764
14.	A/C 563	819,121	705,320	420,975
15.	A/C 565	7,210,318	6,355,334	2,003,192
16.	A/C 566	597,266	524,021	184,201
17.	A/C 567	106,246	133,757	58,266
18.	ADMINISTRATIVE & GENERAL	3,874,615	3,909,869	1,634,741
19.	TOTAL OPERATIONS	18,595,531	17,116,213	6,818,098
20.	MAINTENANCE			
21.	A/C 568	22,952	14,252	7,204
22.	A/C 569	27,597	30,739	15,375
23.	A/C 570	857,360	661,309	295,092
24.	A/C 571	767,608	673,323	297,974
25.	A/C 573	710,738	580,052	206,904
26.	GENERAL PLANT	77	72,296	44,701
27.	TOTAL MAINTENANCE	2,386,332	2,031,971	867,250

Southwest Transmission Cooperative, Inc.

Comparative Income Statements

LINE NO.		TEST YEAR 12/31/2003	PRIOR YEAR 12/31/2002	PRIOR YEAR 12/31/2001
	OTHER:			
28.	DEPRECIATION & AMORTIZATION	6,435,586	6,265,707	2,610,905
29.	ACC GROSS REVENUE TAXES (a)	-	-	-
30.	OTHER TAXES	2,872	-	-
31.	TOTAL OTHER	6,438,458	6,265,707	2,610,905
32.	TOTAL OPERATING EXPENSES	27,420,321	25,413,891	10,296,253
33.	OPERATING INCOME (MARGINS)	6,594,200	4,689,314	1,169,729
	INTEREST & OTHER DEDUCTIONS:			
34.	LONG-TERM DEBT	4,155,671	4,269,116	1,890,652
35.	INTEREST CHARGED TO CONSTR	(22,860)	(30,365)	(17,743)
36.	OTHER INTEREST EXPENSE	2,985	4,829	1,169
37.	OTHER DEDUCTIONS	713,706	299,279	275,000
38.	TOTAL INTEREST EXPENSES	4,849,502	4,542,859	2,149,078
39.	MARGIN AFTER INTEREST EXPENSE	1,744,698	146,455	(979,349)
	OTHER INCOME & DEDUCTIONS:			
40.	INTEREST INCOME	172,901	168,395	106,124
41.	AFUDC	-	-	-
42.	OTHER NONOPERATING INCOME	104,346	90,717	31,045
43.	TOTAL OTHER INCOME & DEDU	277,247	259,112	137,169
43	EXTRAORDINARY ITEMS	-	-	-
44.	NET INCOME (MARGINS)	$ 2,021,945	$ 405,571	$ (842,195)

SUPPORTING SCHEDULES:
(a) E-8 Line 5

RECAP SCHEDULES:
(c) C-1 (d) A-2

Southwest Transmission Cooperative, Inc.

SCHEDULE E-3

Comparative Statement of Changes in Financial Position

07/07/2004

LINE NO.		TEST YEAR 12/31/2003		PRIOR YEAR 12/31/2002	PRIOR YEAR 12/31/2001
	CASH FLOWS FROM OPERATING ACTIVITIES:				
1.	NET MARGIN (LOSS)	$ 2,021,945	(a)	$ 405,571	$ (842,195)
	ADJUSTMENTS TO RECONCILE NET MARGIN TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES-				
2.	DEPREC. & AMORT.	3,728,439		3,643,330	1,105,799
3.	AMORTIZATION OF DEFERRED CHARGES	3,014,651		3,350,747	1,505,106
	CHANGES IN ASSETS AND LIABILITIES				
4.	RESTRICTED CASH & CASH EQUIVALENTS	(825,966)		-	-
5.	RECEIVABLES	(177,667)		819,177	(3,469,770)
6.	INVENTORIES	(91,223)		69,603	13,861
7.	DEFERRED DEBITS	(580)		(2,472)	612,348
8.	ACCRUED PROPERTY TAXES	138,237		(148,893)	(149,408)
9.	ACCOUNTS PAYABLE	2,969,121		738,945	663,426
10.	ACCRUED INTEREST PAYABLE	(21,568)		(73,358)	518,147
11.	DEFERRED CREDITS	25,600		(390,390)	34,947
12.	OTHER , NET	111,735		(157,648)	116,204
13.	NET CASH PROVIDED BY OPERATING ACTIVITIES	10,892,724	(b)	8,254,612	108,465
	CASH FLOWS FROM INVESTING ACTIVITIES:				
14.	CONSTRUCTION EXPENDITURES, NET	(6,483,265)		(3,994,608)	(354,760)
15.	MATURITIES OF INVESTMENTS	-		6,396	101,969
16.	PURCHASE OF INVESTMENTS	(13,755)		(317,785)	(6,446)
17.	NET CASH USED IN INVESTING ACTIVITIES	(6,497,020)	(b)	(4,305,997)	(259,237)
	CASH FLOWS FROM FINANCING ACTIVITIES:				
18.	MEMBER ADVANCES, NET	128,088		(7,817)	63,922
19.	RETIREMENT OF LONG-TERM DEBT	(6,065,083)		(5,716,144)	(2,993,178)
20.	MEMBERSHIPS ISSUED	-		-	900
21.	ISSUANCE OF LONG-TERM DEBT	6,160,000		-	-
22.	NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	223,005	(b)	(5,723,961)	(2,928,356)
23.	NET DECREASE IN CASH AND CASH EQ.	4,618,709	(b)	(1,775,346)	(3,079,128)
24.	CASH AND CASH EQUIVALENTS, 1/1/2004 AND AUGUST 1, RESPECTIVELY	3,202,174		4,977,520	8,056,648
25.	CASH AND CASH EQUIVALENTS, December 31	$ 7,820,883		$ 3,202,174	$ 4,977,520
	SUPPLEMENTAL DISCLOSURES:				
26.	CASH PAID FOR INTEREST, NET OF AMOUNT CAPITALIZED	$ 4,423,478		$ 4,582,852	$ 1,473,444

SUPPORTING SCHEDULES:
(a) C-1, Page 4

RECAP SCHEDULES:
(b) A-5
(c) A-4

Southwest Transmission Cooperative, Inc.

Statement of Change in Equity

SCHEDULE E-4
07/07/2004

LINE NO.		PATRONAGE CAPITAL		UNALLOCATED LOSSES	
1.	BALANCE, DEC. 31, 2000	$ -		$ -	
2.	NET EARNINGS (LOSS)	-		-	
3.	BALANCE, DEC. 31, 2001	1,521,695	(b)	290,969	
4.	NET EARNINGS (LOSS)	-		405,571	(a)
5.	BALANCE, DEC. 31, 2002	1,521,695		696,540	(b)
6.	ADDED PRIOR YEAR LOSSES	-		(696,540)	
7.	NET EARNINGS (LOSS)	-		2,021,945	(a)
8.	BALANCE, DEC. 31, 2003 \1	$ 2,218,235		$ 2,021,945	

SUPPORTING SCHEDULES:
(a) E-2, PAGE 2

RECAP SCHEDULES:
(b) E-1, PAGE 2

\1. As reflected by REA Form 12a

Southwest Transmission Cooperative, Inc.

Detail of Utility Plant

LINE NO.		END OF PRIOR YEAR 12/31/2002 /1	NET ADDITIONS	END OF TEST YEAR 12/31/2003 /2		PRO FORMA ADJUSTMENT (a)	ADJUSTED END OF TEST YEAR
	INTANGIBLE PLANT:						
1.	301 ORGANIZATION	$ 1,515	$ -	$ 1,515		$ -	1,515
2.	114 ACQUISITION ADJUSTMENT	4,413	-	4,413		-	4,413
3.	302 FRANCHISE AND CONSENT	248	-	248		-	248
4.	303 MISC. INTANGIBLE PLANT	2,153,995	-	2,153,995		-	2,153,995
5.	SUBTOTAL INTANGIBLE	2,160,171	-	2,160,171	(d)	-	2,160,171
	TRANSMISSION PLANT						
6.	350 LAND AND LAND RIGHTS	1,608,450	-	1,608,450		-	1,608,450
7.	352 STRUCTURES AND IMPROVEMENTS	4,139,476	-	4,139,476		-	4,139,476
8.	353 STATION EQUIPMENT	42,576,029	1,695,919	44,271,948		5,084,058	49,356,006
9.	354 TOWERS & FIXTURES	8,220,075	-	8,220,075		8,457,902	16,677,977
10.	355 POLES & FIXTURES	23,766,228	70,843	23,837,071		-	23,837,071
11.	356 OVERHEAD CONDUCTORS & DEVICES	15,863,683	10,404	15,874,087		-	15,874,087
12.	359 ROADS & TRAILS	175,378	-	175,378		-	175,378
13.	SUBTOTAL TRANSMISSION PLANT	96,349,319	1,777,167	98,126,486	(d)	13,541,960	111,668,446
	GENERAL PLANT:						
14.	389 LAND AND LAND RIGHTS	3,437	-	3,437		-	3,437
15.	390 STRUCTURES AND IMPROVEMENTS	316,131	-	316,131		-	316,131
16.	391 OFFICE FURNITURE & EQUIPMENT	-	-	-		-	-
17.	392 TRANSPORTATION EQUIPMENT	1,130,801	122,611	1,253,412		-	1,253,412
18.	393 STORES EQUIPMENT	16,949	(1,323)	15,626		-	15,626
19.	394 TOOLS, SHOP & GARAGE EQUIPMENT	121,570	(9,166)	112,404		-	112,404
20.	395 LABORATORY EQUIPMENT	225,858	(19,847)	206,011		-	206,011
21.	396 POWER OPERATED EQUIPMENT	2,223,772	(16,413)	2,207,359		-	2,207,359
22.	397 COMMUNICATION EQUIPMENT	11,492,787	726,612	12,219,399		508,040	12,727,439
23.	398 MISCELLANEOUS EQUIPMENT	103,956	(5,369)	98,587		-	98,587
24.	399 OTHER TANGIBLE PLANT	152,937	(5,588)	147,349		-	147,349
25.	SUBTOTAL GENERAL PLANT	15,788,198	791,517	16,579,715	(d)	508,040	17,087,755

Southwest Transmission Cooperative, Inc.

Detail of Utility Plant

LINE NO.		END OF PRIOR YEAR 12/31/2002 /1	NET ADDITIONS	END OF TEST YEAR 12/31/2003 /2	PRO FORMA ADJUSTMENT (a)	ADJUSTED END OF TEST YEAR
	COMPLETED CONST - UNCLASSIFIED					
26.	GENERAL PLANT	604,312	-	604,312	-	604,312
27.	LINES	-	-	-	-	-
28.	SUBSTATION	-	-	-	-	-
29.	GENERATION - STEAM	-	-	-	-	-
30.	TOTAL COMPLETED	604,312	-	604,312	-	604,312
31.	TOTAL PLANT IN SERVICE	114,902,000 (b) (c)	2,568,683 (c)	117,470,683 (b) (c) (d)	14,050,000 (d)	131,520,683 (d)
	ACCUMULATED DEPRECIATION					
32.	LINES	(24,285,067)	(1,264,316)	(25,549,383)	-	(25,549,383)
33.	SUBSTATION	(19,797,813)	(1,325,251)	(21,123,064)	-	(21,123,064)
34.	GENERAL PLANT	(7,442,906)	(673,804)	(8,116,710)	-	(8,116,710)
35.	RETIREMENTS	18,938	6,818	25,756	-	25,756
35.	TOTAL	(51,506,848)	(3,256,553)	(54,763,401)	-	(54,763,401)
36.	ACCUMULATED AMORTIZATION	(956,863)	(52,569)	(1,009,432)	-	(1,009,432)
37.	TOTAL ACCUM DEPREC. & AMORT.	(52,463,711) (b)	(3,309,122)	(55,772,833) (b)	- (d)	(55,772,833) (d)
38.	NET PLANT IN SERVICE	62,438,289	(3,309,122)	61,697,850 (d)	14,050,000	75,747,850
39.	CWIP	2,822,389 (b)	3,499,117	6,321,507 (b)	(4,755,538)	1,565,969
40.	PLANT HELD FOR FUTURE USE	377,214	-	377,214	-	377,214
41.	TOTAL NET PLANT	$ 65,637,895	$ 2,758,676	$ 68,396,571	$ 9,294,462	$ 77,691,033

SUPPORTING SCHEDULES:

(a) E-5, PAGES 3 AND 4

/1 From General Ledger Balance Sheet
/2 From General Ledger Balance Sheet

RECAP SCHEDULES:

(b) E-I, PAGE 1
(c) A-4
(d) B-2

Southwest Transmission Cooperative, Inc.

Detail of Utility Plant
Pro Forma Adjustments

LINE NO.		Winchester Project Addition	ADJ. 2	ADJ. 3	ADJ. 4	ADJ. 5	TOTAL (a)
	INTANGIBLE PLANT:						
1.	301 ORGANIZATION	$ -	$ -	$ -	$ -	$ -	$ -
2.	114 ACQUISITION ADJUSTMENT	-	-	-	-	-	-
3.	302 FRANCHISE AND CONSENT	-	-	-	-	-	-
4.	303 MISC. INTANGIBLE PLANT	-	-	-	-	-	-
5.	SUBTOTAL INTANGIBLE	-	-	-	-	-	-
	TRANSMISSION PLANT						
6.	350 LAND AND LAND RIGHTS	-	-	-	-	-	-
7.	352 STRUCTURES AND IMPROVEMENTS	-	-	-	-	-	-
8.	353 STATION EQUIPMENT	5,084,058	-	-	-	-	5,084,058
9.	354 TOWERS & FIXTURES	8,457,902	-	-	-	-	8,457,902
10.	355 POLES & FIXTURES	-	-	-	-	-	-
11.	356 OVERHEAD CONDUCTORS & DEVICES	-	-	-	-	-	-
12.	359 ROADS & TRAILS	-	-	-	-	-	-
13.	SUBTOTAL TRANSMISSION PLANT	13,541,960	-	-	-	-	13,541,960
	GENERAL PLANT:	-	-	-	-	-	-
14.	389 LAND AND LAND RIGHTS	-	-	-	-	-	-
15.	390 STRUCTURES AND IMPROVEMENTS	-	-	-	-	-	-
16.	391 OFFICE FURNITURE & EQUIPMENT	-	-	-	-	-	-
17.	392 TRANSPORTATION EQUIPMENT	-	-	-	-	-	-
18.	393 STORES EQUIPMENT	-	-	-	-	-	-
19.	394 TOOLS, SHOP & GARAGE EQUIPMENT	-	-	-	-	-	-
20.	395 LABORATORY EQUIPMENT	-	-	-	-	-	-
21.	396 POWER OPERATED EQUIPMENT	-	-	-	-	-	-
22.	397 COMMUNICATION EQUIPMENT	508,040	-	-	-	-	508,040
23.	398 MISCELLANEOUS EQUIPMENT	-	-	-	-	-	-
24.	399 OTHER TANGIBLE PLANT	-	-	-	-	-	-
25.	SUBTOTAL GENERAL PLANT	508,040	-	-	-	-	508,040

Southwest Transmission Cooperative, Inc.

Detail of Utility Plant
Pro Forma Adjustments

LINE NO.		Winchester Project Addition	ADJ. 2	ADJ. 3	ADJ. 4	ADJ. 5	TOTAL (a)
	COMPLETED CONST - UNCLASSIFIED						
26.	GENERAL PLANT	-	-	-	-	-	-
27.	LINES	-	-	-	-	-	-
28.	SUBSTATION	-	-	-	-	-	-
29.	GENERATION - STEAM	-	-	-	-	-	-
30.	TOTAL COMPLETED	-	-	-	-	-	-
31.	TOTAL PLANT IN SERVICE	14,050,000	-	-	-	-	14,050,000
	ACCUMULATED DEPRECIATION						
32.	LINES	-	-	-	-	-	-
33.	SUBSTATION	-	-	-	-	-	-
34.	GENERAL PLANT	-	-	-	-	-	-
35.	RETIREMENTS	-	-	-	-	-	-
35.	TOTAL	-	-	-	-	-	-
36.	ACCUMULATED AMORTIZATION	-	-	-	-	-	-
37.	TOTAL ACCUM DEPREC. & AMORT.	-	-	-	-	-	-
38.	NET PLANT IN SERVICE	-	-	-	-	-	-
39.	CWIP	(4,755,538)	-	-	-	-	(4,755,538)
40.	PLANT HELD FOR FUTURE USE	-	-	-	-	-	-
41.	TOTAL NET PLANT	$ 9,294,462	$ -	$ -	$ -	$ -	$ 9,294,462

RECAP SCHEDULES:
(a) E-5, PAGES 1 AND 2

Southwest Transmission Cooperative, Inc.

SCHEDULE E-6

Statement of Change in Equity

07/07/2004

NOT APPLICABLE

Southwest Transmission Cooperative, Inc.

SCHEDULE E-7

Operating Statistics

07/07/2004

LINE NO.	ELECTRIC STATISTICS	TEST YEAR ENDED 12/31/2003	PRIOR YEAR ENDED 12/31/2002	PRIOR YEAR AUG-DEC 12/31/2001
	KW SALES:(1)			
1.	CLASS A MEMBERS	1,267,746	1,240,202	488,150
2.	CLASS B MEMBERS	5,418,240	5,984,859	2,726,107
3.	OTHER FIRM CONTRACTS	137,936	85,371	8,720
4.	TOTAL	6,823,922	7,310,432	3,222,977
	AVERAGE NO. CUSTOMERS:			
5.	CLASS A MEMBERS	1	1	1
6.	CLASS B MEMBERS	2	2	2
7.	OTHER FIRM CONTRACTS	4	3	2
8.	TOTAL	7	6	5
	AVERAGE KW USE:			
9.	CLASS A MEMBERS	1,267,746	1,240,202	488,150
10.	CLASS B MEMBERS	2,709,120	2,992,430	1,363,054
11.	OTHER FIRM CONTRACTS	34,484	28,457	4,360
12.	TOTAL	4,011,350	4,261,089	1,855,564

(1) Excludes Hourly Firm & Non Firm Sales

Southwest Transmission Cooperative, Inc.

Taxes Charged to Operations

SCHEDULE E-8
07/07/2004

LINE NO.	DESCRIPTION:	TEST YEAR ENDED 12/31/2003	PRIOR YEAR ENDED 12/31/2002	PRIOR YEAR ENDED 12/31/2001
	FEDERAL TAXES:			
1.	PAYROLL	$ 320,685	$ 302,534	$ 122,093
2.	FEDERAL INCOME	900	-	-
	TOTAL FEDERAL TAXES	321,585	302,534	122,093
	STATE TAXES:			
3.	PAYROLL	2,019	128	11,647
4.	PROPERTY	1,864,283	1,579,048	1,003,793
5.	GROSS REVENUE	-	-	-
6.	CALIFORNIA FRANCHISE TAX	2,827	-	-
	TOTAL STATE TAXES	1,869,129	1,579,176	1,015,440
7.	TOTAL TAXES	$ 2,190,714	$ 1,881,710	$ 1,137,533

RECAP SCHEDULES:
(a) E-2, PAGE 2

SEE FINANCIAL STATEMENTS

F

Southwest Transmission Cooperative, Inc.

Projected Income Statement
Present and Proposed Rates

LINE NO.		-ACTUAL- TEST YEAR ENDED 12/31/2003 (a)	-PROJECTED YEAR- PRESENT RATES ENDED 12/31/2003 (b)	PROPOSED RATES ENDED 12/31/2003 (b)
	REVENUES:			
1.	NETWORK TRANSMISSION SERVICE	$ 13,104,192	$ 13,104,192	$ 17,021,676
2.	POINT-TO -POINT	7,874,658	7,617,540	8,257,200
3.	TOTAL ELECTRIC REVENUE:	20,978,850	20,721,732	25,278,876
4.	LOAD DISPATCH & SYSTEM CONTROL	2,849,028	2,824,224	1,933,749
5.	DIRECT ACCESS FACILITIES	510,093	515,580	515,580
6.	REGULATORY ASSET CHARGE	2,707,122	2,707,122	2,707,120
7.	OTHER OPERATING REVENUE	408,910	413,318	413,318
8.	ANCILLARY SERVICES FROM AEPCO	2,854,461	-	-
9.	SPECIAL CONTRACTS	3,706,057	673,342	673,342
10.	TOTAL OPERATING REVENUE	34,014,521	27,855,318	31,521,986
	OPERATING EXPENSES:			
11.	OPERATIONS			
12.	- ENERGY A/C 555			-
13.	A/C 556	3,289,665	2,537,388	2,537,388
14.	A/C 557	3,946	3,946	3,946
15.	TRANSMISSION			
16.	A/C 560	1,571,242	1,617,470	1,617,470
17.	A/C 561	635	635	635
18.	A/C 562	1,122,477	267,008	267,008
19.	A/C 563	819,121	20,974	20,974
20.	A/C 565	7,210,318	5,025,931	5,025,931
21.	A/C 566	597,266	611,333	611,333
22.	A/C 567	106,246	106,246	106,246
23.	ADMINISTRATIVE & GENERAL	3,874,615	3,872,157	3,872,157
24.	TOTAL OPERATIONS	18,595,531	14,063,088	14,063,088
25.	MAINTENANCE			
26.	A/C 568	22,952	23,588	23,588
27.	A/C 569	27,597	27,597	27,597
28.	A/C 570	857,360	872,183	872,183
29.	A/C 571	767,608	784,933	784,933
30.	A/C 573	710,738	721,089	721,089
31.	GENERAL PLANT	77	79	79
32.	TOTAL MAINTENANCE	2,386,332	2,429,469	2,429,469

Southwest Transmission Cooperative, Inc.

Projected Income Statement
Present and Proposed Rates

LINE NO.		-ACTUAL- TEST YEAR ENDED 12/31/2003 (a)	-PROJECTED YEAR- PRESENT RATES ENDED 12/31/2003 (b)	-PROJECTED YEAR- PROPOSED RATES ENDED 12/31/2003 (b)
	OTHER:			
33.	DEPRECIATION & AMORTIZATION	6,435,586	6,852,107	6,852,107
34.	ACC GROSS REVENUE TAXES	-	-	-
35.	OTHER TAXES	2,872	2,285,845	2,285,845
36.	TOTAL OTHER	6,438,458	9,137,952	9,137,952
37.	TOTAL OPERATING EXPENSES	27,420,321	25,630,509	25,630,509
38.	OPERATING INCOME (MARGINS)	6,594,200	2,224,809	5,891,477
	INTEREST & OTHER DEDUCTIONS:			
39.	LONG-TERM DEBT	4,155,671	5,168,413	5,168,413
40.	INTEREST CHARGED TO CONSTR	(22,860)	(22,860)	(22,860)
41.	OTHER INTEREST EXPENSE	2,985	2,985	2,985
42.	OTHER DEDUCTIONS	713,706	251,905	251,905
43.	TOTAL INTEREST EXPENSE	4,849,502	5,400,443	5,400,443
44.	MARGIN AFTER INTEREST EXPENSE	1,744,698	(3,175,634)	491,034
	OTHER INCOME & DEDUCTIONS:			
45.	INTEREST INCOME	172,901	172,901	172,901
46.	AFUDC	-	-	-
47.	OTHER NONOPERATING INCOME	104,346	107,971	107,971
48.	TOTAL OTHER INCOME & DEDU	277,247	280,872	280,872
49.	EXTRAORDINARY ITEMS	-	-	-
50.	NET INCOME (MARGINS)	$ 2,021,945	$ (2,894,762)	$ 771,906

SUPPORTING SCHEDULES:
(a) E2

RECAP SCHEDULES:
(b) A-2

Southwest Transmission Cooperative, Inc.

SCHEDULE F-2
07/07/2004

Projected Changes in Financial Position
Present And Proposed Rates

LINE NO.		-ACTUAL- TEST YEAR ENDED 12/31/2003 (a)	-PROJECTED YEAR- PRESENT RATES ENDED 12/31/2003 (b)	PROPOSED RATES ENDED 12/31/2003 (b)
1.	NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 10,892,724	$ 5,559,496	$ 9,226,164
2.	NET CASH USED IN INVESTING ACTIVITIES	(6,497,020)	(6,497,020)	(6,497,020)
3.	NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	223,005	223,005	223,005
4.	NET DECREASE IN CASH AND CASH EQ.	$ 4,618,709	$ (714,519)	$ 2,952,149

SUPPORTING SCHEDULES:

(a) E-3

RECAP SCHEDULES:

(b) A-5

Southwest Transmission Cooperative, Inc.

Projected Construction Requirements

SCHEDULE F-3
07/07/2004

LINE NO.		-ACTUAL- TEST YEAR ENDED 12/31/2003	YEAR ENDED 12/31/2004	-PROJECTED YEAR- YEAR ENDED 12/31/2005	YEAR ENDED 12/31/2006
1.	TRANSMISSION PLANT	$ 6,196,977	$ 22,746,842	$ 5,902,000	$ 12,579,000
2.	GENERAL PLANT	124,530	187,400	127,000	127,000
3.	PRELIMINARY SURVEYS	194	-	-	-
4.	JOB TICKETS	57,657	-	-	-
5.	TOTAL PLANT (a)	$ 6,379,357	$ 22,934,242	$ 6,029,000	$ 12,706,000

SUPPORTING SCHEDULES:

RECAP SCHEDULES:
(a) A-4

Southwest Transmission Cooperative, Inc.

Assumptions Used in Developing Projections

SCHEDULE F-4
07/07/2004

LINE NO.			
1.	TIER GOAL	1.15	
2.	AVERAGE NETWORK TRANSMISSION RATE	4.263	$/kW
3.	ANNUAL NETWORK REVENUE REQUIREMENT	$17,021,676	
4.	POINT- TO- POINT TRANS. RATE	$3.032	
5.	SYSTEM CONTROL & LOAD DISPATCH	$0.289	
6.	FFB INTEREST RATE	5.94%	
7.	STAFFING LEVELS	30	
8.	PROPERTY TAXES	2003 Billings	
9.	DEPRECIATION RATES:		
	HEADQUARTERS	2.00%	
	GENERAL PLANT	6.00%	
	VEHICLES	3-10 YEARS MINUS SALVAGE	
	COMMUNICATIONS	6.00%	
	SYS. CONTROL & MICROWAVE	6.00%	

G

Southwest Transmission Cooperative, Inc.

Cost of Service Summary - Present Rates

LINE NO.			TOTAL SYSTEM
	REVENUES:		
1.	NETWORK TRANSMISSION SERVICE	(a)	$ 17,995,977
2.	POINT-TO -POINT	(a)	8,772,681
3.	TOTAL ELECTRIC REVENUE:		26,768,658
4.	OTHER OPERATING REVENUE	(b)	413,318
5.	SPECIAL CONTRACTS	(b)	673,342
6.	TOTAL OPERATING REVENUE		27,855,318
7.	OPERATING EXPENSES	(c)	25,630,509
8.	OPERATING INCOME (MARGINS)		2,224,809
9.	INCOME TAXES		-
10.	NET INCOME (MARGINS) (LINE 8 - LINE 9)		2,224,809
11.	RATE BASE	(d)	79,392,886
12.	RATE OF RETURN	(e)	2.80%

SUPPORTING SCHEDULES:
(a) H-1
(b) C-l page 3
(c) C-1 Page 4
(d) B-1

RECAP SCHEDULES:
(e) B-l line 9

Southwest Transmission Cooperative, Inc.

Cost of Service Summary - Developed Rates

SCHEDULE G-2

07/07/2004

LINE NO.			TOTAL SYSTEM
	REVENUES:		
1.	NETWORK TRANSMISSION SERVICE	(a)	$ 21,387,422
2.	POINT-TO -POINT	(a)	9,047,904
3.	TOTAL ELECTRIC REVENUE:		30,435,326
4.	OTHER OPERATING REVENUE	(b)	413,318
5.	SPECIAL CONTRACTS	(b)	673,342
6.	TOTAL OPERATING REVENUE		31,521,986
7.	OPERATING EXPENSES	(c)	25,630,509
8.	OPERATING INCOME (MARGINS)		5,891,477
9.	INCOME TAXES		-
10.	NET INCOME (MARGINS) (LINE 6 - LINE 7)		5,891,477
11.	RATE BASE	(d)	79,392,886
12.	RATE OF RETURN	(e)	7.42%

SUPPORTING SCHEDULES:
(a) H-1
(b) C-1 page 3
(c) C-1 Page 4
(d) B-1

RECAP SCHEDULES:
(e) B-1 line 9

Southwest Transmission Cooperative, Inc.

Derivation Of Revenue Requirement And Rates

LINE NO.			TOTAL	
1.	OPERATING EXPENSES (EXCL. REVENUE TAX)	$	25,630,509	
2.	INTEREST & OTHER DEDUCTIONS:		5,400,443	(a)
3.	TOTAL OPERATING EXPENSES (INC. INTEREST)		31,030,952	
4.	PLUS MARGIN REQUIREMENT		771,906	
	LESS OTHER REVENUES:			
5.	OTHER OPERATING REVENUE		413,318	
6.	SPECIAL CONTRACTS		673,342	
7.	DIRECT ACCESS FACILITIES		515,580	
8.	REGULATORY ASSET CHARGE		2,707,120	
9.	SYS. CTL. & LOAD DSPTCH N/I SP.CONT.		1,933,749	
10.	TOTAL OTHER INCOME		6,243,109	
11.	NON-OPERATING MARGINS		280,872	
12.	PLUS EXTRAORDINARY ITEMS		-	(a)
13.	NET REVENUE REQUIREMENT BEFORE REV. TAX		25,278,879	(b)
14.	REVENUE TAX		-	
15.	ANNUAL TRANSMISSION REVENUE REQUIREMENT	$	25,278,879	

SUPPORTING SCHEDULES:
(a) C-1, PAGE 1
(b) G-2A Page 3

RECAP SCHEDULES:
(d) G-2

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended December 31, 2003

		Point-to-Point	Network					
Schedule 7&8/Network Transmission Rates		$3.032	$1,418,473 /kW-mo			Page 2 & Attmt 1	wk	0.69964 sched 7
							Day	0.10106
MANDATORY ANCILLARY SERVICES							on-pk	0.00415
Schedule 1	System Control & load Dispatch	$0.289	$0.289 /kW-mo			Page 3	off-peak	0.00729
Schedule 2	Var support / voltage Control	$0.051	$0.064 /kW-mo			Page 4	wk	0.06669 sched 1
							Day	0.00963
							on-pk	0.00040
	TOTAL MANDATORY SVCS	$3.372	$1,418,473 /kW-mo				off-peak	0.00069
FERC OPTIONAL ANCILLARY SVCS - AEPCO							wk	0.01179 sched 2
		Gen Cap Rate	% Req'd	=	$/kW-mo		Day	0.00170
Schedule 3	Cost of Reg. & Frequency Response	$10.294	3.99%	=	$0.4111	Page 5 & *	on-pk	0.00007
				=			off-peak	0.00012
Schedule 5	Operating Reserves- Spinning	$11.598	5.35%	=	$0.6205	Page 5 & **	wk	0.09487 sched 3
				=			Day	0.01370
							on-pk	0.00056
Schedule 6	Operating Reserve- Supplemental	$7.681	5.36%	=	$0.4114	Page 5 & **	off-peak	0.00099
				=				
							wk	0.14319 sched 5
Schedule 4	Energy Imbalance - AEPCO		Energy in kind deviation +/-1.5%				Day	0.02068
							on-pk	0.00085
	AEPCO pays positive imbalance		$20.69 $/MWh			Page 8	off-peak	0.00149
	Customer pays negative imbalance		$100.00 $/MWh				wk	0.09494 sched 6
							Day	0.01371
							on-pk	0.00056
Non-FERC	Replacement Capacity - AEPCO				$3.469	Page 5	off-peak	0.00099
							wk	0.69964 sched 7
							Day	0.10106
Losses		0.0297				Loss Study	on-pk	0.00415
							off-peak	0.00729

Notes:

* Regulation Capacity as a Percentage of Regulated Load

12 CP Load	OS Sales	Reg. Load	NF Whl	Reg 12 CP	Reg Cap	Reg Pct
558.81	123.00	435.81	65.00	500.81	20.00	3.99%

** Reserve percentages based on 2003 actual SRSG requirements and loads

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended December 31, 2003

SCHEDULE 7 & 8 / NETWORK TRANSMISSION RATE BASE & BILLING UNIT SUMMARY

TRANSMISSION PLANT				
	INTANGIBLE	$2,155,758		
	TRANSMISSION	$112,176,486 Winchester 14,050,000		
	GENERAL PLANT	$16,579,714		
	A/C 106	$604,312		
	A/C 107 @ 50%	$782,984 Winchester 4,755,538 removed		
	ACQUISITION ADJ & 105	$381,628		
	TOTAL		$132,680,882	
DEPRECIATION & AMORTIZATION RESERVE				
	TRANSMISSION	(46,672,447)		
	GENERAL PLANT	(8,116,709)		
	AMORTIZATION	(1,009,432)		
	TOTAL		(55,798,589)	
NET TRANSMISSION PLANT		$76,882,293		
WORKING CAPITAL		$2,205,191		
RETIREMENT WIP		$25,756		
TOTAL RATE BASE			$78,541,914 less MW&E	$571,326

EXPENSES and EXPENSE ALLOCATION SUMMARY

	TRANSMISSION OP	$7,648,962 Less account RUS 561	
	TRANSMISSION MNT	$2,429,390	
	A&G	$3,872,236	
	TAXES	$2,285,845	
DEP EXP	TRANS PLT	$3,064,544	
DEP EXP	GP	$1,026,833	
	Amort Exp(Reg. Assets & IT plan	$2,760,730	
	MW&E Xfmr dep. cr.	$47,069	
	MW&E Xfmr exp cr.	($144,606)	
	System Control & Dispatch	$2,541,969	
	TOTAL		$25,532,972

		BU Summary		w/o MWE Grnle Xfmr	Total
TRANSMISSION LOAD		1 CP Load	695.2	635.2	Attach 1
		12 CP Load	558.8	498.8	Attach 1
NET INVESTMENT			$78,541,914	$571,326	$79,113,240
INTEREST & TIER page 6		1.15	7.447%	7.447%	
ANNUAL CARRYING COSTS					
			$5,848,858	$42,545	$5,891,404
EXPENSES			$25,532,972	$97,537	$25,630,509
REVENUE CREDITS	Power Factor Revenue CR.		$17,614	$0	$17,614
	Communications Eqpmt.		$61,428	$0	$61,428
	wheeling revenue credit		$581,077	$0	$581,077
	Chemstar		($19,019)	$0	($19,019)
	SRSG		$5,676	$0	$5,676
	Direct Assignment Facility		$515,580	$0	$515,580
	Regulatory Asset Charge		$2,707,122	$0	$2,707,122
	System Control & Load Disp.		$2,371,896	$0	$2,371,896
	Banking		$1,660	$0	$1,660
			$6,243,034	$0	$6,243,034
ANNUAL REVENUE REQUIREMENTS			$25,138,796	$140,083	$25,278,879
TOTAL ANNUAL COSTS/KW		Point to Point Rate/1 CP kW			
		/kW-yr	$36.161	$0.221	$36.381
		/kW-month	$3.013	$0.018	$3.032

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended December 31, 2003

SCHEDULE 1: System Control and Load Dispatch

Account 556 & 557	$	3,211,408	Ex. Property taxes
Account 561		635	
EMS payment from AEPCO		(306,624)	
AEPCO Ancilliary Services Sched.2-6		(670,074)	
TOTAL	$	2,235,345	
Generation Capacity		644,080	kW
System Control & Load Dispatch	$	0.289	/kW-mo

Generation Capacity (Avg of Monthly)	Net Rated kW		
Apache Units (@SRSG)	585,300	Page 5	
Purchased Pwr (PNM&TECO)	29,667	Page 7	Pro forma numbers
Fed Hydro (CRSP & PD)	29,113	Actual Avg	
Total	644,080		

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended December 31, 2003

Schedule 2: COST OF REACTIVE POWER (VAR) PRODUCTION

AEPCO system investment in Power Production Facilities

			Orig Cost	Net	
1 Total production plant in service			$394,501,473	$208,256,306	Page 7
2 Turbogenerator Systems	314 344		$55,169,579	$26,798,200	Page 7
3 Accessory Electric Equipment	315 345		$19,941,398	$9,686,381	Page 7
Separation of Production Plant Allocation to VAR Production					
4 Generator and Exciter Systems	2*(1-Power Factor)			$3,831,291	
5 Accessory Electric Equipment	3*(1-Power Factor)			$1,384,845	
6 Other Power Production Facilities	1-4-5*(.25%)			$507,600	
7 Total Facilities Allocated to VAR Production				$5,723,737	
Annualized Costs Facilities Allocated to VAR Production		7*Int+tier	1.150	$426,235	
			7.447%		
Rates For VAR Production			12 CP	1 CP	
			558.81	695.2	
	$/kW/year		$0.763	$0.613	
	$/kW/month		$0.064	$0.051	

Power Factor	Gross Nameplate output in kW	Pwr Factor Generator Name plate	weighted Power factor	EAF Equivalent Availability Factor	Weighted Average
steam unit 1	77,400	0.85	10.885%	93.26%	11.94%
steam unit 2	195,000	0.85	27.424%	90.82%	29.30%
steam unit 3	195,000	0.85	27.424%	97.55%	31.47%
gas turbine 1	10,000	0.85	1.406%	84.20%	1.39%
gas turbine 2	20,000	0.9	2.978%	97.75%	3.23%
gas turbine 3	65,000	0.9	9.679%	97.86%	10.52%
gas turbine 4	42,000	0.85	5.907%	75.16%	5.22%
	604,400		85.703%		93.09%
(1-Power factor)			14.297%		

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended December 31, 2003

Schedules 3, 5 & 6: APACHE STATION COST SUPPORT BY UNIT

Gen. Units	name plate SRSG RATING	Prod Invest.	Int plt, a/c 106,107 Transm,GP	D/A Res. Retirement WIP	Working Capital	net. Prod. Invest less TURBO	Prod $/kW	O&M Exp	A&G	Taxes	Depreciation	Cost of Capital	Annual Revenue Rqt	Annual RevRqt/kW
			33,817,127	$10,997,986	10,633,790			26,139,567	9,544,612	3,346,839	7,608,735	15,878,140		
ST1	77,400	$ 21,981,781	$ 2,033,362	$ 16,492,264	$ 639,390	$ 6,398,951	$ 83	$ 1,571,724	$ 573,900	$ 201,239	$ 457,499	$ 954,724	$ 3,759,087	48.57
ST2	185,000	154,434,564	14,285,529	82,886,162	4,492,082	75,032,567	406	11,042,261	4,031,976	1,413,821	3,214,194	6,707,478	26,409,730	142.76
ST3	186,000	147,491,658	13,643,295	75,830,546	4,290,132	73,872,542	397	10,545,835	3,850,710	1,350,260	3,069,694	6,405,930	25,222,429	135.60
IC1/GT1	10,400	1,843,357	170,514	1,802,307	53,618	180,746	17	131,802	48,126	16,876	38,365	80,062	315,231	30.31
GT2	17,600	2,898,287	268,098	2,210,313	84,303	805,780	46	207,231	75,668	26,533	60,321	125,880	495,634	28.16
GT3	66,500	8,359,793	773,299	5,170,972	243,164	3,239,720	49	597,735	218,257	76,532	173,990	363,087	1,429,601	21.50
GT4	42,400	28,572,620	2,643,029	1,797,955	831,100	27,827,567	656	2,042,977	745,974	410,000	594,672	1,240,980	5,034,603	118.74
	585,300	$ 365,582,067	$ 33,817,126	$ 186,190,519	$ 10,633,789	$ 187,357,874		$ 26,139,566	$ 9,544,612	$ 3,495,262	$ 7,608,735	$ 15,878,140	$ 62,666,314	
			$ 399,399,193											

		turbo equip 314,315,344,345	Plant dep reserve	turbo reserve	Net turbo plant
ST1	77,400	$ 6,301,757	$ (15,830,975)	$ (4,538,438)	$ 1,763,319
ST2	185,000	30,997,538	(78,240,231)	(15,704,092)	15,293,446
ST3	186,000	30,471,996	(71,393,482)	(14,750,000)	15,721,996
IC1/GT1	10,400	1,612,832	(1,746,852)	(1,528,396)	84,436
GT2	17,600	877,136	(2,123,122)	(642,540)	234,596
GT3	66,500	2,346,273	(4,919,480)	(1,380,709)	965,564
GT4	42,400	2,503,445	(938,391)	(82,219)	2,421,226
TOTAL	585300	$ 75,110,974	$ (175,192,533)	$ (38,626,394)	$ 36,484,583

Replacement

GT1	10,400	$118.741	$1,234,903
ST1	77,400	$48.567	$3,759,087
GT3	66,500	$21.498	$1,429,601
	154,300		$6,423,591
	$/kW/year		$41.631
	$/kW/month		$3.469

Regulation

	kW Capacity	Cost/kW	Annual $
ST2	185,000	$142.755	$26,409,730
ST3	186,000	$135.604	$25,222,429
ST1	77,400	$48.567	$3,759,087
	448,400		$55,391,245
	$/kW/year		$123.531
	$/kW/month		$10.294

Spinning

	kW Capacity	Cost/kW	Annual $
ST2	185,000	$142.755	$26,409,730
ST3	186,000	$135.604	$25,222,429
	371,000		$51,632,158
	$/kW/year		$139.170
	$/kW/month		$11.598

Supplemental

	kW Capacity	Cost/kW	Annual $
GT4	42,400	$118.741	$5,034,603
GT2	17,600	$28.161	$495,634
	60,000		$5,530,237
	$/kW/year		$92.171
	$/kW/month		$7.681

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended December 31, 2003

INTEREST RATE CALCULATIONS					
INTEREST ON LONG TERM DEBT		$	4,155,671		
ANNUALIZED INTEREST *			19,790		
INTEREST EXPENSE- WINCHESTER ADDITION			750,270		
INTEREST EXPENSE- A-8 DRAW			242,682		
ITC			(22,860)		
Total		$	5,145,553		
TIER					
	1.15	$	5,917,386		
	1.10	$	5,660,108		
other interest expense		$	2,985		
line 24				A/C 431	S.T. NOTES CUSTOMER DEPOSITS
other deductions		$	251,905	Adjusted as in CTS	
line 25				A/C 409.2. 410.2 411.2 ETC	Taxes, Other Inc. & Ded, Deferred Taxes
NON-OPERATING MARGINS		$	(280,872)		
RETURN					
	1.15	$	5,891,404		
	1.10	$	5,634,126		
NET UTILITY PLANT		$	76,882,293		
WORKING CAPITAL		$	2,205,191		
RETIREMENT WIP		$	25,756		
TOTAL RATE BASE		$	79,113,240		

INTEREST	RATES
1.15	7.447%
1.10	7.122%

* Annualized Interest	4,964,461
AEPCO 2004 RAC debt	789,000
Net Interest	4,175,461
2003 Per books	4,155,671
Pro forma Adjustment	19,790

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended December 31, 2003

AEPCO PRODUCTION PLANT ORIGINAL COST AND NET PLANT SUMMARY FOR ANCILLARY SERVICES WORKSHEETS

INTANGIBLE		$	5,290		
PRODUCTION					
	STEAM 1		21,981,781		
	STEAM 2		154,434,564		
	STEAM 3		147,491,658		
	GT 1		1,843,357		
	GT 2		2,898,287		
	GT 3		8,359,793		
	GT 4		28,572,620		
	TRAM PLT		2,771,770		
GENERAL PLANT			17,278,106		
A/C 106			3,953,275		
A/C 107@50%			4,897,724		
ACQUISITION ADJ			13,238		
	TOTAL			$	394,501,466
DEPRECIATION & AMORTIZATION RESERVE					
PRODUCTION					
	STEAM 1	$	(15,830,975)		
	STEAM 2		(78,240,231)		
	STEAM 3		(71,393,482)		
	GT 1		(1,746,852)		
	GT 2		(2,123,122)		
	GT 3		(4,919,480)		
	GT 4		(938,391)		
GENERAL PLANT			(9,667,411)		
TRAM PLT			(1,167,581)		
AMORTIZATION			(217,642)		
	TOTAL			$	(186,245,167)
NET PRODUCTION PLANT		$	202,532,563	less turbo eqp.	$ 5,723,737
WORKING CAPITAL		$	10,633,790		
RETIREMENT WIP		$	54,648		
PRODUCTION PLANT RATE BASE				$	213,221,001
EXPENSE ALLOCATION					
PRODUCTION OP		$	8,764,555		
PRODUCTION MNT			10,170,045		
OTHER			4,145,214		
* TRAM EXP			7,049,551		
A&G			9,544,612		
TAXES			3,346,839	RUS accounting included in cost center but isolated for study	
DEP EXP			7,608,735		
TOTAL				$	50,629,551

PRODUCTION CAPABILITY (kW on SRSG Basis)				585,300
NET INVESTMENT				$213,221,001
INTEREST & TIER page 6		1.15		7.447%
ANNUAL CARRYING COSTS			$	15,878,139
ANNUAL EXPENSES			$	50,629,551
PLANT ANNUAL REVENUE REQUIREMENTS			$	66,507,690
PLANT ANNUAL COSTS/KW			$	114
	MONTH		$	9
Gen Plant Fixed Charge Rate (Rev Req't/ Rate Base)				31.192%

PURCHASE POWER CAPACITY (pro-forma 2004)			2003 Actual
Purch Pwr Avg Contract Demand kW		356,000	336,000
	PNM	156,000	166,000
	PAC	0	50,000
	PGR-TECO	200,000	120000
		0	0
Purch Pwr Annual Demand Charges		$5,288,000	$6,012,672
	PNM	$3,900,000	$4,150,000
	PAC	$0	$877,000
	PGR-TECO	$1,388,000	$985,672
	APS	$0	$0
Purch Pwr Monthly Costs/kW		$14.854	17.9
	PNM	$25.000	$25.000
	PAC	$0.000	$17.540
	PGR-TECO	$6.940	$8.214
	APS	$0.000	
PLANT + PP Annual Rev Req't		$71,795,690	$72,520,362
	Annual cost/kW	$76.273	$78.715
	Monthly cost/kw	$6.356	$6.560

Southwest Transmission Cooperative/Arizona Electric Power Cooperative

Derivation of Transmission Rates, Control Area Services and Revenue Requirements

Twelve Months Ended December 31, 2003

SCHEDULE 4: ENERGY IMBALANCE

Energy Imbalance Cost = Accts 501+547+ e-charge a/c 555/kwh

Fuel	501	$	43,789,749
	547		14,029,331
Purchased Power	555 Energy Only		10,085,538
Non-Firm Wheeling			77,291
		$	67,981,909

Total sales		3,281,912,645	kWh
	$	20.71	$/MWh

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET

POINT TO POINT TRANSMISSION SERVICES
***03 PRS forecast '04 loads
loads in kW and rates in $ per kW-mo. unless otherwise indicated

Name		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total cross	
AEPCO Bundled Sales															
	Loads	0	0	0	0	0	0	0	0	0	0	0	0		
	Rate p/p	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032		
	Total Dollars P/P	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Mesa15	Loads	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000		
	Rate p/p	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032		
	Total Dollars P/P	$45,476	$45,476	$45,476	$45,476	$45,476	$45,476	$45,476	$45,476	$45,476	$45,476	$45,476	$45,476	$545,716	
SRP	Loads	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000		
	Rate p/p	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032		
	Total Dollars P/P	$303,175	$303,175	$303,175	$303,175	$303,175	$303,175	$303,175	$303,175	$303,175	$303,175	$303,175	$303,175	$3,638,106	
ED2	Loads	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000		
	Rate p/p	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032		
	Total Dollars P/P	$24,254	$24,254	$24,254	$24,254	$24,254	$24,254	$24,254	$24,254	$24,254	$24,254	$24,254	$24,254	$291,048	
Southwest Wheeling Point to Point															
MW&E 60 MW	Loads	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000		
wheeling	Rate p/p	3.013	3.013	3.013	3.013	3.013	3.013	3.013	3.013	3.013	3.013	3.013	3.013		
	Total Dollars P/P	$180,803	$180,803	$180,803	$180,803	$180,803	$180,803	$180,803	$180,803	$180,803	$180,803	$180,803	$180,803	$2,169,631	
	Loads	0	0	0	0	0	0	0	0	0	0	0	0		
	Rate p/p dnc contract	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032		
	Total Dollars P/P	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
AEPCO/Mead	Loads	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000		
	Rate P/P	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032		
	Total Dollars P/P	$121,270	$121,270	$121,270	$121,270	$121,270	$121,270	$121,270	$121,270	$121,270	$121,270	$121,270	$121,270	$1,455,242	
THATCHER	Loads	4,000	4,000	4,000	4,000	6,000	6,000	6,000	6,000	6,000	6,000	4,000	4,000		
	Rate P/P contract rate(dnc)	2.624	2.624	2.624	2.624	2.624	2.624	2.624	2.624	2.624	2.624	2.624	2.624		
	Total Dollars P/P	$10,497	$10,497	$10,497	$10,497	$15,746	$15,746	$15,746	$15,746	$15,746	$15,746	$10,497	$10,497	$157,456	
TOTAL Point to Point															
	LOADS kW	227,000	227,000	227,000	227,000	229,000	229,000	229,000	229,000	229,000	229,000	227,000	227,000	228,000	
	REVENUE	$685,476	$685,476	$685,476	$685,476	$690,724	$690,724	$690,724	$690,724	$690,724	$690,724	$685,476	$685,476	$8,257,200	
Forecast Network Loads														Average	
	2004 Network (2003 PRS)	251,454	271,964	232,235	244,410	381,943	415,103	466,214	442,545	413,101	329,224	250,291	271,211	330,808	
														12 CP Load	1 CP Load
Total Point to Point and Network Loads		478,454	498,964	459,235	471,410	610,943	644,103	695,214	671,545	642,101	558,224	477,291	498,211	558,808	695,214

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET
WHEELING REVENUE CREDITS

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	total
Silverbell Wheeling	Loads	1215	1215	1215	1215	1215	1223	1223	1223	1223	1223	1223	1223	
	Rate p/p	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	
	Total Dollars P/P	$535	$535	$535	$535	$535	$538	$538	$538	$538	$538	$538	$538	$6,440
AEPCO (kWh) 3rd party sales	Loads in kWh	1,051,000	923,000	202,000	2,550,000	255,000	609,000	907,000	539,000	2,353,000	1,496,000	764,000	327,000	
	Rate	0.003	0.004	0.005	0.004	0.003	0.002	0.004	0.005	0.003	0.002	0.003	0.003	
	Total Dollars P/P	3,206	3,625	917	9,809	882	1,137	3,385	2,526	7,448	2,845	2,285	842	$38,906
	Loads	0	0	0	0	0	0	0	0	0	0	0	0	
	Rate dnc contract	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	
	Total Dollars P/P	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
AVRA Valley	Loads	1102	1102	1102	1102	1125	1125	1295	1295	1295	1295	1295	1295	
	Rate p/p	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	
	Total Dollars P/P	$485	$485	$485	$485	$495	$495	$570	$570	$570	$570	$570	$570	$6,348
Mohave 3rd party sales	Loads(kWh)	20,332,606	15,481,444	6,957,840	16,997,180	11,904,160	3,801,000	3,315,000	4,831,000	7,550,000	9,850,000	17,375,000	17,186,000	
	Rate p/p	0.003	0.003	0.003	0.004	0.004	0.003	0.003	0.004	0.003	0.003	0.003	0.003	
	Total Dollars P/P	$65,634	$51,600	$22,664	$60,033	$48,227	$13,287	$11,499	$17,413	$24,568	$33,754	$56,608	$56,222	$461,509
NuCor Steel nonfirm	Loads in kWh	0	0	0	0	0	497,000	570,000	572,000	527,000	518,000	430,000	467,000	
	Rate p/p in mils/kWh	0.000	0.000	0.000	0.000	0.000	0.005	0.005	0.005	0.005	0.006	0.005	0.005	
	Total Dollars P/P	$0	$0	$0	$0	$0	2,686	3,088	3,075	2,821	2,856	2,272	2,512	$19,310
	Loads	0	0	0	0	0	0	0	0	0	0	0	0	
	Rate p/p	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	
	Total Dollars P/P	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TEP Wheeling cr. for Pd Sierrita	Loads in kWh	0	0	0	0	0	0	0	0	0	0	0	0	
	Rate	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	
	Total Dollars	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	$3,299	<u>$39,588</u>
MEC 3rd party purchases	Loads	0	0	0	0	0	1,536,000	0	0	0	0	0	0	
	Rate P/P(Jan-Jun actuals)	0.000	0.000	0.000	0.000	0.000	0.006	0.000	0.000	0.000	0.000	0.000	0.000	
	Total Dollars P/P	$0	$0	$0	$0	$0	$8,976	$0	$0	$0	$0	$0	$0	$8,976
TOTAL R.C.	MWh Loads	21,384	16,404	7,160	19,547	12,159	4,907	4,792	5,942	10,430	11,864	18,569	17,980	
	kW LOADS*	2,317	2,317	2,317	2,317	2,340	2,348	2,518	2,518	2,518	2,518	2,518	2,518	
	REVENUE	$73,159	$59,543	$27,899	$74,161	$53,437	$30,418	$22,379	$27,421	$39,244	$43,862	$65,572	$63,982	<u>$581,077</u>

$581,077

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET
NETWORK INTEGRATED TRANSMISSION SERVICES

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
2003 COS Trans Revenue Requirements		$ 2,106,573	$ 2,106,573	$ 2,106,573	$ 2,106,573	$ 2,106,573	$ 2,106,573	$ 2,106,573	$ 2,106,573	$ 2,106,573	$ 2,106,573	$ 2,106,573	$ 2,106,573	$ 25,278,876	$ 25,278,879
Avg Mo Rev from Pt to Pt Service		$ 688,100	$ 688,100	$ 688,100	$ 688,100	$ 688,100	$ 688,100	$ 688,100	$ 688,100	$ 688,100	$ 688,100	$ 688,100	$ 688,100	$ 8,257,200	
	Network Revenue Req't	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 17,021,676	
NETWORK															
Anza	Loads 2004 forecast	5,640	6,418	6,127	4,825	6,279	7,639	8,601	8,288	7,431	5,432	6,354	6,013	79,047	
	Loads 2003	5,436	5,556	6,012	5,496	7,452	7,920	9,516	9,264	7,644	6,708	5,424	6,036	82,464	
	12 Month Rolling Avg	6,889	6,961	6,970	6,915	6,817	6,793	6,717	6,636	6,618	6,512	6,589	6,587	81,004	155,119
	Trans Cost	$ 29,468	$ 29,588	$ 29,640	$ 29,379	$ 28,935	$ 28,843	$ 28,532	$ 28,279	$ 28,188	$ 27,973	$ 28,241	$ 28,246		$345,313
Duncan	Loads 2004 forecast	3,819	3,907	3,436	3,684	4,573	5,631	5,358	5,164	4,515	3,481	3,680	3,965	51,213	
	Loads 2003	3,000	3,280	3,280	3,420	4,780	5,400	5,180	4,820	5,380	4,600	3,300	3,760	50,200	
	12 Month Rolling Avg	4,252	4,304	4,317	4,339	4,322	4,341	4,356	4,384	4,312	4,219	4,251	4,268	51,663	
	Trans Cost	$ 18,186	$ 18,294	$ 18,357	$ 18,436	$ 18,344	$ 18,430	$ 18,502	$ 18,684	$ 18,367	$ 18,124	$ 18,218	$ 18,300		$220,242
Graham	Loads 2004 forecast	14,308	14,940	14,367	16,655	22,872	29,253	33,166	32,428	28,224	19,446	15,314	16,185	257,158	263065.989
	Loads 2003	13,710	14,481	15,790	17,075	23,316	31,629	33,111	33,096	29,452	22,775	15,313	14,738	264,486	
	12 Month Rolling Avg	22,090	22,129	22,010	21,975	21,938	21,740	21,745	21,689	21,587	21,309	21,309	21,430	260,950	
	Trans Cost	$ 94,493	$ 94,061	$ 93,594	$ 93,371	$ 93,120	$ 92,302	$ 92,365	$ 92,429	$ 91,945	$ 91,542	$ 91,330	$ 91,889		$1,112,442
Mohave 1	Loads 2004 forecast	60,706	68,839	61,639	64,778	126,800	137,930	143,500	143,500	143,100	111,200	65,082	73,050	1,200,124	
	Loads 2003	60,706	68,839	61,639	64,778	116,000	137,930	130,000	129,000	109,000	112,000	65,082	73,050	1,128,024	
	12 Month Rolling Avg	94,002	94,002	94,002	94,002	94,902	94,902	96,027	97,235	100,077	100,010	100,010	100,010	1,159,182	
	Trans Cost	$ 402,099	$ 399,572	$ 399,727	$ 399,411	$ 402,830	$ 402,929	$ 407,897	$ 414,377	$ 426,263	$ 429,634	$ 428,639	$ 428,835		$ 4,942,213
Sulphur Springs	Loads 2004 forecast	92,929	99,266	80,491	77,828	110,202	115,373	124,056	117,791	112,796	83,200	87,121	94,570	1,195,623	
	Loads 2003	82,360	84,958	82,242	83,467	101,093	112,464	123,813	121,214	108,324	101,850	83,848	96,867	1,182,500	
	12 Month Rolling Avg	99,422	100,615	100,469	99,999	100,758	101,000	101,021	100,735	101,108	99,554	99,827	99,635	1,204,143	
	Trans Cost	$ 425,285	$ 427,680	$ 427,226	$ 424,892	$ 427,687	$ 428,822	$ 429,109	$ 429,293	$ 430,655	$ 427,674	$ 427,852	$ 427,227		$ 5,133,399
Trico	Loads 2004 forecast	64,118	68,644	56,861	65,759	84,553	100,951	111,002	102,749	94,076	77,474	62,709	66,845	955,741	
	Loads 2003	48,450	55,671	51,504	52,628	83,909	98,670	109,062	108,124	91,233	84,203	58,199	68,109	909,762	
	12 Month Rolling Avg	77,119	78,200	78,647	79,741	79,795	79,985	80,146	79,698	79,935	79,375	79,750	79,645	952,036	
	Trans Cost	$ 329,881	$ 332,404	$ 334,431	$ 338,816	$ 338,704	$ 339,594	$ 340,440	$ 339,642	$ 340,473	$ 340,985	$ 341,806	$ 341,511		$ 4,058,686
Cyprus TB PD Sierrita	Loads 2004 forecast	2,480	2,040	1,860	2,640	2,680	2,920	2,740	2,760	2,960	2,660	2,780	2,660	31,180	
	Loads 2003	6,320	6,220	5,980	6,260	6,780	6,900	6,360	5,920	6,100	5,700	2,780	2,660	67,980	
	12 Month Rolling Avg	5,345	4,997	4,653	4,352	4,010	3,678	3,377	3,113	2,852	2,598	2,598	2,598	44,172	
	Trans Cost	$ 22,864	$ 21,239	$ 19,787	$ 18,490	$ 17,021	$ 15,617	$ 14,343	$ 13,268	$ 12,146	$ 11,162	$ 11,136	$ 11,141		$ 188,216
Mohave 2	Loads 2004 forecast	0	0	0	0	10,504	0	21,537	14,666	4,525	16,390	0	0	67,622	
	Loads 2003	0	0	0	0	21,304	0	35,037	29,166	38,625	15,590	0	0	139,722	
	12 Month Rolling Avg	11,644	11,644	11,644	11,644	10,744	10,744	9,619	8,410	5,569	5,635	5,635	5,635	108,564	
	Trans Cost	$ 49,806	$ 49,493	$ 49,512	$ 49,473	$ 45,603	$ 45,614	$ 40,857	$ 35,841	$ 23,718	$ 24,208	$ 24,152	$ 24,163		$ 462,439
Safford/Gila	Loads 2004 forecast	7,454	7,910	7,454	8,241	13,480	15,406	16,254	15,199	15,474	9,941	7,251	7,923	131,987	
	Loads 2003	7,344	7,793	7,344	8,119	13,281	15,178	16,014	14,974	15,245	9,794	7,144	7,806	130,036	
	12 Month Rolling Avg	10,846	10,855	10,864	10,875	10,891	10,910	10,930	10,949	10,968	10,980	10,989	10,999	131,056	
	Trans Cost	$ 46,392	$ 46,142	$ 46,199	$ 46,206	$ 46,230	$ 46,322	$ 46,428	$ 46,660	$ 46,716	$ 47,170	$ 47,099	$ 47,162		$ 558,726
														Average	
TOTAL Network loads 12 mo. rolling Avg		331,609	333,706	333,576	333,840	334,176	334,093	333,937	332,851	333,025	330,192	330,959	330,808	332,731	
Network Loads 2002 Actual		227,326	246,798	233,791	241,243	377,915	416,091	468,093	455,578	411,003	363,220	241,090	273,026	329,598	
network loads 2003		251,454	271,964	232,235	244,410	381,943	415,103	466,214	442,545	413,101	329,224	250,291	271,211	330,808	
TOTAL NETWORK DOLLARS		$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 17,021,676	$ 17,021,676
Per kW-month		4.28	4.25	4.25	4.25	4.24	4.25	4.25	4.26	4.26	4.30	4.29	4.29	4.263	

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET
POINT TO POINT TRANSMISSION SERVICES - PRESENT RATES

***03 PROS forecast '04 loads
loads in kW and rates in $ per kW-mo. unless otherwise indicated

Name		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct\	Nov	Dec	total cross	
AEPCO Bundled Sales															
	Loads	-	-	-	-	-	-	-	-	-	-	-	-		
	Rate p/p	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805		
	Total Dollars P/P	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Mesa15	Loads	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000		
	Rate p/p	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805		
	Total Dollars P/P	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 504,900	
SRP	Loads	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000		
	Rate p/p	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805		
	Total Dollars P/P	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 3,366,000	
ED2	Loads	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000		
	Rate p/p	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805		
	Total Dollars P/P	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 269,280	
Southwest Wheeling Point to Point															
MW&E 60 MW	Loads	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000		
wheeling	Rate p/p	2.765	2.765	2.765	2.765	2.765	2.765	2.765	2.765	2.765	2.765	2.765	2.765		
	Total Dollars P/P	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 1,990,800	
AEPCO/Mead	Loads	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000		
	Rate P/P	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805		
	Total Dollars P/P	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 1,346,400	
THATCHER	Loads	4,000	4,000	4,000	4,000	6,000	6,000	6,000	6,000	6,000	6,000	4,000	4,000		
	Rate P/P(dnc contract)	2.336	2.336	2.336	2.336	2.336	2.336	2.336	2.336	2.336	2.336	2.336	2.336		
	Total Dollars P/P	$ 9,344	$ 9,344	$ 9,344	$ 9,344	$ 14,016	$ 14,016	$ 14,016	$ 14,016	$ 14,016	$ 14,016	$ 9,344	$ 9,344	$ 140,160	
TOTAL Point to Point															
	LOADS kW	227,000	227,000	227,000	227,000	229,000	229,000	229,000	229,000	229,000	229,000	227,000	227,000	228,000	
	REVENUE	$ 632,459	$ 632,459	$ 632,459	$ 632,459	$ 637,131	$ 637,131	$ 637,131	$ 637,131	$ 637,131	$ 637,131	$ 632,459	$ 632,459	$ 7,617,540	
Forecast Network Loads														Average	
	2004 Network (2003 PRS)	251,454	271,964	232,235	244,410	381,943	415,103	466,214	442,545	413,101	329,224	250,291	271,211	330,808	
														12 CP Load	1 CP Load
Total Point to Point and Network Loads		478,454	498,964	459,235	471,410	610,943	644,103	695,214	671,545	642,101	558,224	477,291	498,211	558,808	694,214

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET
WHEELING REVENUE CREDITS - PRESENT RATES

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	total	
Silverbell Wheeling	Loads	1,215	1,215	1,215	1,215	1,215	1,223	1,223	1,223	1,223	1,223	1,223	1,223		
	Rate p/p	0.440	0.440	0.440	0.440	0.440	0.440	0.440	0.440	0.440	0.440	0.440	0.440		
	Total Dollars P/P	$ 535	$ 535	$ 535	$ 535	$ 535	$ 538	$ 538	$ 538	$ 538	$ 538	$ 538	$ 538	$ 6,440	
AEPCO (kWh) 3rd party sales	Loads in kWh	1,051,000	923,000	202,000	2,550,000	255,000	609,000	907,000	539,000	2,353,000	1,496,000	764,000	327,000		
	Rate	0.003	0.004	0.005	0.004	0.003	0.002	0.004	0.005	0.003	0.002	0.003	0.003		
	Total Dollars P/P	$ 3,206	$ 3,625	$ 917	$ 9,809	$ 882	$ 1,137	$ 3,385	$ 2,526	$ 7,448	$ 2,845	$ 2,285	$ 842	$38,906	
	Loads	-	-	-	-	-	-	-	-	-	-	-	-		
	Rate dnc contract	1.250	1.250	1.250	1.250	1.250	1.250	1.250	1.250	1.250	1.250	1.250	1.250		
	Total Dollars P/P	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
AVRA Valley	Loads	1,102	1,102	1,102	1,102	1,125	1,125	1,295	1,295	1,295	1,295	1,295	1,295		
	Rate p/p	0.440	0.440	0.440	0.440	0.440	0.440	0.440	0.440	0.440	0.440	0.440	0.440		
	Total Dollars P/P	$ 485	$ 485	$ 485	$ 485	$ 495	$ 495	$ 570	$ 570	$ 570	$ 570	$ 570	$ 570	$ 6,348	
Mohave 3rd party sales	Loads (kWh)	20,332,606	15,481,444	6,957,840	16,997,180	11,904,160	3,801,000	3,315,000	4,831,000	7,550,000	9,850,000	17,375,000	17,186,000		
	Rate p/p	0.003	0.003	0.003	0.004	0.004	0.003	0.003	0.004	0.003	0.003	0.003	0.003		
	Total Dollars P/P	$ 65,634	$ 51,600	$ 22,664	$ 60,033	$ 48,227	$ 13,287	$ 11,499	$ 17,413	$ 24,568	$ 33,754	$ 56,608	$ 56,222	$ 461,509	
NuCor Steel nonfirm	Loads in kWh	-	-	-	-	-	497,000	570,000	572,000	527,000	518,000	430,000	467,000		
	Rate p/p in mils/kWh	-	-	-	-	-	0.005	0.005	0.005	0.005	0.006	0.005	0.005		
	Total Dollars P/P	$ -	$ -	$ -	$ -	$ -	$ 2,686	$ 3,088	$ 3,075	$ 2,821	$ 2,856	$ 2,272	$ 2,512	$ 19,310	
	Loads	-	-	-	-	-	-	-	-	-	-	-	-		
	Rate p/p	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805		
	Total Dollars P/P	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
TEP Wheeling cr. for Pd Sierrita	Loads in kWh	-	-	-	-	-	-	-	-	-	-	-	-		
	Rate	3,299	3,299	3,299	3,299	3,299	3,299	3,299	3,299	3,299	3,299	3,299	3,299		
	Total Dollars	$ 3,299	$ 3,299	$ 3,299	$ 3,299	$ 3,299	$ 3,299	$ 3,299	$ 3,299	$ 3,299	$ 3,299	$ 3,299	$ 3,299	$ 39,588	
MEC 3rd party purchases	Loads	-	-	-	-	-	1,536,000	-	-	-	-	-	-		
	Rate P/P(Jan-Jun actuals)	-	-	-	-	-	0.006	-	-	-	-	-	-		
	Total Dollars P/P	$ -	$ -	$ -	$ -	$ -	$ 8,976	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,976	
TOTAL R.C.	MWh Loads	21,384	16,404	7,160	19,547	12,159	4,907	4,792	5,942	10,430	11,864	18,569	17,980		$581,077
	kW LOADS	2,317	2,317	2,317	2,317	2,340	2,348	2,518	2,518	2,518	2,518	2,518	2,518	29,064	
	REVENUE	$ 73,159	$ 59,543	$ 27,899	$ 74,161	$ 53,437	$ 30,418	$ 22,379	$ 27,421	$ 39,244	$ 43,862	$ 65,572	$ 63,982	$ 581,077	

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET
NETWORK INTEGRATED TRANSMISSION SERVICES - PRESENT RATES

No PF penalty has been included

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
2003 COS Trans Revenue Requirements		$ 1,726,811	$ 1,726,811	$ 1,726,811	$ 1,726,811	$ 1,726,811	$ 1,726,811	$ 1,726,811	$ 1,726,811	$ 1,726,811	$ 1,726,811	$ 1,726,811	$ 1,726,811	$ 20,721,733	$ 20,721,733
Avg Mo Rev from Pt to Pt Service		$ 634,795	$ 634,795	$ 634,795	$ 634,795	$ 634,795	$ 634,795	$ 634,795	$ 634,795	$ 634,795	$ 634,795	$ 634,795	$ 634,795	$ 7,617,540	
	Network Revenue Req't	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 13,104,193	
NETWORK															
Anza	Loads 2004 forecast	5,640	6,418	6,127	4,825	6,279	7,639	8,601	8,288	7,431	5,432	6,354	6,013	79,047	
	Loads 2003	5,436	5,556	6,012	5,496	7,452	7,920	9,516	9,264	7,644	6,708	5,424	6,036	82,464	
	12 Month Rolling Avg	6,889	6,961	6,970	6,915	6,817	6,793	6,717	6,636	6,618	6,512	6,589	6,587	81,004	
	Trans Cost	$ 22,686	$ 22,779	$ 22,819	$ 22,618	$ 22,276	$ 22,205	$ 21,966	$ 21,771	$ 21,701	$ 21,535	$ 21,741	$ 21,745		$ 265,841
Duncan	Loads 2004 forecast	3,819	3,907	3,436	3,684	4,573	5,631	5,358	5,164	4,515	3,481	3,680	3,965	51,213	
	Loads 2003	3,000	3,280	3,280	3,420	4,780	5,400	5,180	4,820	5,380	4,600	3,300	3,760	50,200	
	12 Month Rolling Avg	4,252	4,304	4,317	4,339	4,322	4,341	4,356	4,384	4,312	4,219	4,251	4,268	51,663	
	Trans Cost	$ 14,001	$ 14,084	$ 14,132	$ 14,193	$ 14,122	$ 14,188	$ 14,244	$ 14,384	$ 14,140	$ 13,953	$ 14,025	$ 14,088		$ 169,554
Graham	Loads 2004 forecast	14,308	14,940	14,367	16,655	22,872	29,253	33,166	32,428	28,224	19,446	15,314	16,185	257,158	263065.989
	Loads 2003	13,710	14,481	15,790	17,075	23,316	31,629	33,111	33,096	29,452	22,775	15,313	14,738	264,486	
	12 Month Rolling Avg	22,090	22,129	22,010	21,975	21,938	21,740	21,745	21,689	21,587	21,309	21,309	21,430	260,950	
	Trans Cost	$ 72,745	$ 72,413	$ 72,053	$ 71,882	$ 71,689	$ 71,059	$ 71,108	$ 71,157	$ 70,784	$ 70,474	$ 70,311	$ 70,741		$ 856,417
Mohave 1	Loads 2004 forecast	60,706	68,839	61,639	64,778	126,800	137,930	143,500	143,500	143,100	111,200	65,082	73,050	1,200,124	
	Loads 2003	60,706	68,839	61,639	64,778	116,000	137,930	130,000	129,000	109,000	112,000	65,082	73,050	1,128,024	
	12 Month Rolling Avg	94,002	94,002	94,002	94,002	94,902	94,902	96,027	97,235	100,077	100,010	100,010	100,010	1,159,182	
	Trans Cost	$ 309,557	$ 307,611	$ 307,731	$ 307,488	$ 310,120	$ 310,196	$ 314,021	$ 319,010	$ 328,160	$ 330,755	$ 329,989	$ 330,140		$ 3,804,778
Sulphur Springs	Loads 2004 forecast	92,929	99,266	80,491	77,828	110,202	115,373	124,056	117,791	112,796	83,200	87,121	94,570	1,195,623	
	Loads 2003	82,360	84,958	82,242	83,467	101,093	112,464	123,813	121,214	108,324	101,850	83,848	96,867	1,182,500	
	12 Month Rolling Avg	99,422	100,615	100,469	99,999	100,758	101,000	101,021	100,735	101,108	99,554	99,827	99,635	1,204,143	
	Trans Cost	$ 327,407	$ 329,251	$ 328,901	$ 327,104	$ 329,256	$ 330,130	$ 330,351	$ 330,493	$ 331,541	$ 329,246	$ 329,383	$ 328,902		$ 3,951,964
Trico	Loads 2004 forecast	64,118	68,644	56,861	65,759	84,553	100,951	111,002	102,749	94,076	77,474	62,709	66,845	955,741	
	Loads 2003	48,450	55,671	51,504	52,628	83,909	98,670	109,062	108,124	91,233	84,203	58,199	68,109	909,762	
	12 Month Rolling Avg	77,119	78,200	78,647	79,741	79,795	79,985	80,146	79,698	79,935	79,375	79,750	79,645	952,036	
	Trans Cost	$ 253,960	$ 255,902	$ 257,463	$ 260,839	$ 260,752	$ 261,438	$ 262,089	$ 261,475	$ 262,114	$ 262,509	$ 263,140	$ 262,913		$ 3,124,593
AEPCO Bundled Power Sales using Network Service															
Cyprus TB	Loads 2004 forecast	2,480	2,040	1,860	2,640	2,680	2,920	2,740	2,760	2,960	2,660	2,780	2,660	31,180	
PD Sierrita	Loads 2003	6,320	6,220	5,980	6,260	6,780	6,900	6,360	5,920	6,100	5,700	2,780	2,660	67,980	
	12 Month Rolling Avg	5,345	4,997	4,653	4,352	4,010	3,678	3,377	3,113	2,852	2,598	2,598	2,598	44,172	
	Trans Cost	$ 17,602	$ 16,351	$ 15,233	$ 14,235	$ 13,104	$ 12,023	$ 11,042	$ 10,214	$ 9,351	$ 8,593	$ 8,573	$ 8,577		$ 144,899
Mohave 2	Loads 2004 forecast	-	-	-	-	10,504	-	21,537	14,666	4,525	16,390	-	-	67,622	
	Loads 2003	-	-	-	-	21,304	-	35,037	29,166	38,625	15,590	-	-	139,722	
	12 Month Rolling Avg	11,644	11,644	11,644	11,644	10,744	10,744	9,619	8,410	5,569	5,635	5,635	5,635	108,564	
	Trans Cost	$ 38,343	$ 38,102	$ 38,117	$ 38,087	$ 35,108	$ 35,116	$ 31,454	$ 27,592	$ 18,260	$ 18,637	$ 18,594	$ 18,602		$ 356,010
Safford/Gila	Loads 2004 forecast	7,454	7,910	7,454	8,241	13,480	15,406	16,254	15,199	15,474	9,941	7,251	7,923	131,987	
	Loads 2003	7,344	7,793	7,344	8,119	13,281	15,178	16,014	14,974	15,245	9,794	7,144	7,806	130,036	
	12 Month Rolling Avg	10,846	10,855	10,864	10,875	10,891	10,910	10,930	10,949	10,968	10,980	10,989	10,999	131,056	
	Trans Cost	$ 35,715	$ 35,523	$ 35,567	$ 35,572	$ 35,590	$ 35,661	$ 35,743	$ 35,921	$ 35,965	$ 36,314	$ 36,259	$ 36,308		$ 430,137
														Average	
TOTAL Network loads 12 mo. rolling Avg		331,609	333,706	333,576	333,840	334,176	334,093	333,937	332,851	333,025	330,192	330,959	330,808	332,731	
Network Loads 2003 Actual		227,326	246,798	233,791	241,243	377,915	416,091	468,093	455,578	411,003	363,220	241,090	273,026	329,598	
network loads 2004		251,454	271,964	232,235	244,410	381,943	415,103	466,214	442,545	413,101	329,224	250,291	271,211	330,808	
TOTAL NETWORK DOLLARS		$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 13,104,193	$ 13,104,193
Per kW-month		3.29	3.27	3.27	3.27	3.27	3.27	3.27	3.28	3.28	3.31	3.30	3.30	3.282	

Southwest Transmission Cooperative/Arizona Electric Power Cooperative
TRANSMISSION AND CONTROL AREA SERVICES RATES
Based on: NET PLANT NUMBERS TAKEN FROM CTS RUS 10/2001
Twelve Months Ended December 31, 2001

		Point-to-Point	Network			
Schedule 7&8/Network Transmission Rates		$2.805	3.677 /kW-mo			Page 2 & Attmt 1
MANDATORY ANCILLARY SERVICES						
Schedule 1	System Control & load Dispatch	$0.422	$0.422 /kW-mo			Page 3
Schedule 2	Var support / voltage Control	$0.056	$0.065 /kW-mo			Page 4
	Only SW Gen Step-up Xfmrs All		/kW-mo			Page 9
	TOTAL MANDATORY SVCS	$3.283	$4.164 /kW-mo			
FERC OPTIONAL ANCILLARY SVCS - AEPCO						
		Gen Cap Rate	% Req'd	=	$/kW-mo	
Schedule 3	Cost of Reg. & Frequency Response	$12.295	4.21%	=	$0.5176	Page 5 & *
	SW Gen Step Xfmrs ST 1, ST 2 & ST 3			=		Page 9
Schedule 5	Operating Reserves- Spinning	$13.858	4.94%	=	$0.6846	Page 5 & **
	SW Gen Step Xfmrs ST 2 & 3			=		Page 9
Schedule 6	Operating Reserve- Supplemental	$6.957	4.93%	=	$0.3430	Page 5 & **
	SW Gen Step Xfmrs GT 1, GT 2			=		Page 9
Schedule 4	Energy Imbalance - AEPCO		Energy in kind deviation +/-1.5%			
	AEPCO pays positive imbalance		$23.25			Page 8
	Customer pays negative imbalance		$100.00 $/MWh			
Non-FERC	Replacement Capacity - AEPCO				$3.794	Page 5
	Southwest Gen Step Xfmrs ST 1, GT 3					
Losses		0.0297				Loss Study

Notes:
* Regulation Capacity as a Percentage of Regulated Load

12 CP Load	OS Sales	Reg. Load	NF Whl	Reg 12 CP	Reg Cap	Reg Pct
550.62	140.50	410.12	65.00	475.12	20.00	4.21%

** Reserve percentages based on 1999 actual SRSG requirements and loads

Southwest Transmission Cooperative/Arizona Electric Power Cooperative
TRANSMISSION AND CONTROL AREA SERVICE RATES FOR THATCHER

Thatcher Credit

Twelve Months Ended December 31, 2003

SCHEDULE 7 & 8 / NETWORK TRANSMISSION RATE BASE & BILLING UNIT SUMMARY

TRANSMISSION PLANT

INTANGIBLE	$2,155,758	
TRANSMISSION	$112,176,486	
GENERAL PLANT	$16,579,714	
A/C 106	$604,312	
A/C 107 @ 50%	$782,984	
ACQUISITION ADJ & 105	$381,628	
TOTAL		$132,680,882

DEPRECIATION & AMORTIZATION RESERVE

TRANSMISSION	(46,672,447)	
GENERAL PLANT	(8,116,709)	
AMORTIZATION	(1,009,432)	
TOTAL		(55,798,589)
NET TRANSMISSION PLANT	$76,882,293	
WORKING CAPITAL	$2,205,191	
RETIREMENT WIP	$25,756	
TOTAL RATE BASE		$78,541,914 less MW&E $571,326

EXPENSES and EXPENSE ALLOCATION SUMMARY

	TRANSMISSION OP	$4,164,774	Less account RUS 561 & Cr.for Thatcher	$3,484,188 Credit for Thatcher
	TRANSMISSION MNT	$2,429,390		
	A&G	$3,872,236		
	TAXES	$2,285,845		
DEP EXP	TRANS PLT	$3,064,544		
DEP EXP	GP	$1,026,833		
	Amort Exp(Reg. Assets & IT pl	$2,760,730		
	MW&E Xfmr dep. cr.	$47,069		
	MW&E Xfmr exp cr.	-$144,606		
	System Control & Dispatch	$2,235,345		
	TOTAL		$21,742,160	

		BU Summary		w/o MWE Grnle Xfmr	Total
TRANSMISSION LOAD		1 CP Load	695.2	635.2	Attach 1
		12 CP Load	558.8	498.8	Attach 1
NET INVESTMENT			$78,541,914	$571,326	$79,113,240
INTEREST & TIER page 6		1.15	7.447%	7.447%	
ANNUAL CARRYING COSTS					
			$5,848,858	$42,545	$5,891,404
EXPENSES			$21,742,160	$97,537	$21,839,697
REVENUE CREDITS	Power Factor Revenue CR.		$17,614		$17,614
	Communications Eqpmt.		$61,428	$0	$61,428
	wheeling revenue credit		$581,077	$0	$581,077
	Chemstar		-$19,019		-$19,019
	SRSG		$5,676		$5,676
	Direct Assignment Facility		$515,580	$0	$515,580
	Regulatory Asset Charge		$2,622,363		$2,622,363
	System Control & Load Dis		$2,065,272		$2,065,272
			$5,849,991		
ANNUAL REVENUE REQUIREMENTS			$21,741,027	$140,083	$21,881,110
TOTAL ANNUAL COSTS/KW		Point to Point Rate/1 CP kW			
		/kW-yr	$31.273	$0.221	$31.494
		/kW-month	$ 2.606	0.018	$2.624

ANCILLARY SERVICE SCHEDULE 1 NEW RATE 0.289

Network Customer	Units	Revenue	
Anza	82,464	$	23,832
Duncan	50,200	$	14,508
Graham	264,486	$	76,436
Mohave	1,128,024	$	325,999
Mohave #2	139,722	$	40,380
Sulphur	1,182,500	$	341,743
Trico	909,762	$	262,921
PD Sierrita	67,980	$	19,646
Safford	130,036	$	37,580
Total Network Customers		$	1,143,045

Contract Customer	Units	Revenue	
Apache - Mead	480,000	$	138,720
NuCor	-	$	2,902
ED 2	96,000	$	27,744
Mesa 15	180,000	$	52,020
SRP	1,200,000	$	346,800
Thatcher	60,000	$	17,340
MWE 60	720,000	$	208,080
MEC 3rd party purchases	-	$	1,354
Avra Valley (Fixed Rate)	-	$	5,627
Silverbell (Fixed Rate)	-	$	5,705
Mohave 3rd Party Sales	-	$	106,852
AEPCO Third Party		$	9,083
		$	-
		$	922,227
Total Schedule 1 Revenue Credit		$	2,065,272

H

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class

2003- Annualized

SCHEDULE H-1
07/07/2004

LINE NO.	CLASS OF SERVICE	REVENUES IN TEST YEAR (a)		PROPOSED INCREASE (b)	
		PRESENT	PROPOSED	AMOUNT	PERCENT
1.	NETWORK SERVICES	$17,995,977	$21,387,422	$3,391,445	18.85%
2	POINT-TO-POINT SERVICES	$8,772,681	$9,047,904	$275,223	3.14%
3.	TOTAL COMPANY	$26,768,658	$30,435,326	$3,666,668	13.70%

SUPPORTING SCHEDULES:
(a) H-2, Page 1

RECAP SCHEDULES:
(b) A-1

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class

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LINE NO.	CLASS OF SERVICE	CUSTOMERS (a)	kW CONSUMPTION PRESENT (a)	kW CONSUMPTION PROPOSED (a)	REVENUE PRESENT (a)	REVENUE PROPOSED (a)	PROPOSED INCREASE AMOUNT (a)	PROPOSED INCREASE PERCENT (a)
	MEMBER CONTRACTS:							
1.	ANZA	1	81,004	81,004	$ 363,612	$ 432,117	$ 68,505	18.84%
2.	DUNCAN	1	51,663	51,663	228,502	272,513	44,011	19.26%
3.	GRAHAM	1	260,950	260,950	1,160,569	1,381,417	220,848	19.03%
4.	MOHAVE	1	1,159,182	1,159,182	5,142,926	6,130,333	987,407	19.20%
5.	MOHAVE 2	1	108,564	108,564	414,973	502,819	87,846	21.17%
6.	SULPHUR	1	1,204,143	1,204,143	5,385,799	6,409,962	1,024,163	19.02%
7.	TRICO	1	952,036	952,036	4,640,997	5,454,092	813,095	17.52%
8.	TOTAL MEMBER CONTRACTS:	7	3,817,543	3,817,543	$ 17,337,379	$ 20,583,254	$ 3,245,875	18.72%
	OTHER FIRM CONTRACTS:							
9.	CYPRUS TB PD SIERRITA	1	44,172	44,172	$ 173,586	$ 207,862	$ 34,276	19.75%
10.	SAFFORD	1	131,056	131,056	485,012	596,306	111,294	22.95%
11.	TOTAL FIRM CONTRACTS:	2	175,228	175,228	$ 658,598	$ 804,168	$ 145,570	22.10%
12.	TOTAL COMPANY	9	3,992,771	3,992,771	$ 17,995,977	$ 21,387,422	$ 3,391,445	18.85%

SUPPORTING SCHEDULES:
(a) H-2 PAGES 2 THROUGH 9

RECAP SCHEDULES:
(b) H-1

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003- Annualized

ANZA

LINE NO.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
	PRESENT RATE:													
1.	Network Revenue Requirement	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 13,104,193
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 17,021,676
	BILLING DETERMINANTS:													
3.	2003 kWh Energy:	3,315,450	3,243,168	3,424,686	3,340,230	3,492,462	3,731,861	4,701,354	4,406,838	3,938,952	3,459,276	3,591,432	4,015,104	44,660,813
	PRESENT:													
4.	Loads 2004 Forecast	5,640	6,418	6,127	4,825	6,279	7,639	8,601	8,288	7,431	5,432	6,354	6,013	79,047
5.	Loads 2003	5,436	5,556	6,012	5,496	7,452	7,920	9,516	9,264	7,644	6,708	5,424	6,036	82,464
6.	12 Month Rolling Avg.	6,889	6,961	6,970	6,915	6,817	6,793	6,717	6,636	6,618	6,512	6,589	6,587	81,004
	PROPOSED:													
7.	Loads 2004 Forecast	5,640	6,418	6,127	4,825	6,279	7,639	8,601	8,288	7,431	5,432	6,354	6,013	79,047
8.	Loads 2003	5,436	5,556	6,012	5,496	7,452	7,920	9,516	9,264	7,644	6,708	5,424	6,036	82,464
9.	12 Month Rolling Avg.	6,889	6,961	6,970	6,915	6,817	6,793	6,717	6,636	6,618	6,512	6,589	6,587	81,004
	PRESENT REVENUE :													
10.	Network Services	$ 22,686	$ 22,779	$ 22,819	$ 22,618	$ 22,276	$ 22,205	$ 21,966	$ 21,771	$ 21,701	$ 21,535	$ 21,741	$ 21,745	$ 265,841
11.	Scheduling & Ld. Control	2,294	2,345	2,537	2,319	3,145	3,342	4,016	3,909	3,226	2,831	2,289	2,547	34,800
12.	Regulatory Asset Charge	4,675	4,573	4,829	4,710	4,924	5,262	6,629	6,214	5,554	4,878	5,064	5,661	62,972
13.	Total	$ 29,655	$ 29,696	$ 30,185	$ 29,647	$ 30,345	$ 30,809	$ 32,610	$ 31,894	$ 30,481	$ 29,244	$ 29,094	$ 29,953	$ 363,612
14.	Average Cost ($/KW)	$ 5.455	$ 5.345	$ 5.021	$ 5.394	$ 4.072	$ 3.890	$ 3.427	$ 3.443	$ 3.988	$ 4.360	$ 5.364	$ 4.962	$ 4.409
	PROPOSED REVENUE:													
15.	Network Services	$ 29,468	$ 29,588	$ 29,640	$ 29,379	$ 28,935	$ 28,843	$ 28,532	$ 28,279	$ 28,188	$ 27,973	$ 28,241	$ 28,246	$ 345,313
16.	Scheduling & Ld. Control	1,571	1,606	1,737	1,588	2,154	2,289	2,750	2,677	2,209	1,939	1,568	1,744	23,832
17.	Regulatory Asset Charge	4,675	4,573	4,829	4,710	4,924	5,262	6,629	6,214	5,554	4,878	5,064	5,661	62,972
18.	Total	$ 35,714	$ 35,767	$ 36,207	$ 35,678	$ 36,013	$ 36,394	$ 37,911	$ 37,170	$ 35,951	$ 34,790	$ 34,872	$ 35,651	$ 432,117
19.	Average Cost ($/KWH)	$ 6.570	$ 6.438	$ 6.022	$ 6.492	$ 4.833	$ 4.595	$ 3.984	$ 4.012	$ 4.703	$ 5.186	$ 6.429	$ 5.906	$ 5.240
	CHANGE IN TOTAL COST:													
20.	REVENUE	$ 6,059	$ 6,071	$ 6,022	$ 6,031	$ 5,668	$ 5,585	$ 5,301	$ 5,276	$ 5,471	$ 5,546	$ 5,778	$ 5,698	$ 68,505
21.	PERCENT INC.	20.43%	20.44%	19.95%	20.34%	18.68%	18.13%	16.26%	16.54%	17.95%	18.96%	19.86%	19.02%	18.84%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003- Annualized

DUNCAN VALLEY

LINE NO.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
	PRESENT RATE:													
1.	Network Revenue Requirement	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 13,104,193
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 17,021,676
	BILLING DETERMINANTS:													
3.	2003 kWh Energy:	1,832,310	1,726,840	1,949,820	1,910,380	2,417,440	2,676,200	3,217,790	2,929,400	2,482,760	1,961,810	1,661,060	2,016,780	26,782,590
	PRESENT:													
4.	Loads 2004 Forecast	3,819	3,907	3,436	3,684	4,573	5,631	5,358	5,164	4,515	3,481	3,680	3,965	51,213
5.	Loads 2003	3,000	3,280	3,280	3,420	4,780	5,400	5,180	4,820	5,380	4,600	3,300	3,760	50,200
6.	12 Month Rolling Avg.	4,252	4,304	4,317	4,339	4,322	4,341	4,356	4,384	4,312	4,219	4,251	4,268	51,663
	PROPOSED:													
7.	Loads 2004 Forecast	3,819	3,907	3,436	3,684	4,573	5,631	5,358	5,164	4,515	3,481	3,680	3,965	51,213
8.	Loads 2003	3,000	3,280	3,280	3,420	4,780	5,400	5,180	4,820	5,380	4,600	3,300	3,760	50,200
9.	12 Month Rolling Avg.	4,252	4,304	4,317	4,339	4,322	4,341	4,356	4,384	4,312	4,219	4,251	4,268	51,663
	PRESENT REVENUE :													
10.	Network Services	$ 14,001	$ 14,084	$ 14,132	$ 14,193	$ 14,122	$ 14,188	$ 14,244	$ 14,384	$ 14,140	$ 13,953	$ 14,025	$ 14,088	$ 169,554
11.	Scheduling & Ld. Control	1,266	1,384	1,384	1,443	2,017	2,279	2,186	2,034	2,270	1,941	1,393	1,587	21,184
12.	Regulatory Asset Charge	2,584	2,435	2,749	2,694	3,409	3,773	4,537	4,130	3,501	2,766	2,342	2,844	37,763
13.	Total	$ 17,850	$ 17,903	$ 18,265	$ 18,330	$ 19,548	$ 20,241	$ 20,967	$ 20,549	$ 19,911	$ 18,660	$ 17,760	$ 18,518	$ 228,502
14.	Average Cost ($/KW)	$ 5.950	$ 5.458	$ 5.569	$ 5.360	$ 4.089	$ 3.748	$ 4.048	$ 4.263	$ 3.701	$ 4.057	$ 5.382	$ 4.925	$ 4.552
	PROPOSED REVENUE:													
15.	Network Services	$ 18,186	$ 18,294	$ 18,357	$ 18,436	$ 18,344	$ 18,430	$ 18,502	$ 18,684	$ 18,367	$ 18,124	$ 18,218	$ 18,300	$ 220,242
16.	Scheduling & Ld. Control	867	948	948	988	1,381	1,561	1,497	1,393	1,555	1,329	954	1,087	14,508
17.	Regulatory Asset Charge	2,584	2,435	2,749	2,694	3,409	3,773	4,537	4,130	3,501	2,766	2,342	2,844	37,763
18.	Total	$ 21,637	$ 21,677	$ 22,054	$ 22,118	$ 23,134	$ 23,764	$ 24,536	$ 24,208	$ 23,423	$ 22,220	$ 21,514	$ 22,230	$ 272,513
19.	Average Cost ($/KWH)	$ 7.212	$ 6.609	$ 6.724	$ 6.467	$ 4.840	$ 4.401	$ 4.737	$ 5.022	$ 4.354	$ 4.830	$ 6.519	$ 5.912	$ 5.429
	CHANGE IN TOTAL COST:													
20.	REVENUE	$ 3,787	$ 3,774	$ 3,788	$ 3,788	$ 3,586	$ 3,523	$ 3,569	$ 3,659	$ 3,512	$ 3,559	$ 3,754	$ 3,712	$ 44,011
21.	PERCENT INC.	21.21%	21.08%	20.74%	20.67%	18.34%	17.41%	17.02%	17.81%	17.64%	19.07%	21.14%	20.04%	19.26%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003- Annualized

GRAHAM COUNTY ELECTRIC

LINE NO.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
	PRESENT RATE:													
1.	Network Revenue Requirement	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 13,104,193
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 17,021,676
	BILLING DETERMINANTS:													
3.	2003 kWh Energy:	8,075,369	7,764,689	9,877,625	8,936,770	11,394,505	15,244,915	18,436,151	17,408,044	12,391,403	9,658,700	8,099,147	9,264,982	136,552,300
	PRESENT:													
4.	Loads 2004 Forecast	14,308	14,940	14,367	16,655	22,872	29,253	33,166	32,428	28,224	19,446	15,314	16,185	257,158
5.	Loads 2003	13,710	14,481	15,790	17,075	23,316	31,629	33,111	33,096	29,452	22,775	15,313	14,738	264,486
6.	12 Month Rolling Avg.	22,090	22,129	22,010	21,975	21,938	21,740	21,745	21,689	21,587	21,309	21,309	21,430	260,950
	PROPOSED:													
7.	Loads 2004 Forecast	14,308	14,940	14,367	16,655	22,872	29,253	33,166	32,428	28,224	19,446	15,314	16,185	257,158
8.	Loads 2003	13,710	14,481	15,790	17,075	23,316	31,629	33,111	33,096	29,452	22,775	15,313	14,738	264,486
9.	12 Month Rolling Avg.	22,090	22,129	22,010	21,975	21,938	21,740	21,745	21,689	21,587	21,309	21,309	21,430	260,950
	PRESENT REVENUE :													
10.	Network Services	$ 72,745	$ 72,413	$ 72,053	$ 71,882	$ 71,689	$ 71,059	$ 71,108	$ 71,157	$ 70,784	$ 70,474	$ 70,311	$ 70,741	$ 856,417
11.	Scheduling & Ld. Control	5,786	6,111	6,663	7,206	9,839	13,347	13,973	13,967	12,429	9,611	6,462	6,219	111,613
12.	Regulatory Asset Charge	11,386	10,948	13,927	12,601	16,066	21,495	25,995	24,545	17,472	13,619	11,420	13,064	192,539
13.	Total	$ 89,917	$ 89,473	$ 92,644	$ 91,688	$ 97,594	$ 105,902	$ 111,075	$ 109,669	$ 100,685	$ 93,704	$ 88,193	$ 90,024	$ 1,160,569
14.	Average Cost ($/KW)	$ 6.559	$ 6.179	$ 5.867	$ 5.370	$ 4.186	$ 3.348	$ 3.355	$ 3.314	$ 3.419	$ 4.114	$ 5.759	$ 6.108	$ 4.388
	PROPOSED REVENUE:													
15.	Network Services	$ 94,493	$ 94,061	$ 93,594	$ 93,371	$ 93,120	$ 92,302	$ 92,365	$ 92,429	$ 91,945	$ 91,542	$ 91,330	$ 91,889	$ 1,112,442
16.	Scheduling & Ld. Control	3,962	4,185	4,563	4,935	6,738	9,141	9,569	9,565	8,512	6,582	4,425	4,259	76,436
17.	Regulatory Asset Charge	11,386	10,948	13,927	12,601	16,066	21,495	25,995	24,545	17,472	13,619	11,420	13,064	192,539
18.	Total	$ 109,841	$ 109,195	$ 112,084	$ 110,906	$ 115,925	$ 122,938	$ 127,929	$ 126,539	$ 117,928	$ 111,743	$ 107,176	$ 109,212	$ 1,381,417
19.	Average Cost ($/KWH)	$ 8.012	$ 7.541	$ 7.098	$ 6.495	$ 4.972	$ 3.887	$ 3.864	$ 3.823	$ 4.004	$ 4.906	$ 6.999	$ 7.410	$ 5.223
	CHANGE IN TOTAL COST:													
20.	REVENUE	$ 19,924	$ 19,722	$ 19,440	$ 19,218	$ 18,330	$ 17,036	$ 16,854	$ 16,871	$ 17,244	$ 18,039	$ 18,983	$ 19,188	$ 220,848
21.	PERCENT INC.	22.16%	22.04%	20.98%	20.96%	18.78%	16.09%	15.17%	15.38%	17.13%	19.25%	21.52%	21.31%	19.03%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003- Annualized

MOHAVE ELECTRIC

LINE NO.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
	PRESENT RATE:													
1.	Network Revenue Requirement	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 13,104,193
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 17,021,676
	BILLING DETERMINANTS:													
3.	2003 kWh Energy:	36,254,073	34,252,622	35,069,947	36,438,161	52,217,489	63,721,621	80,824,114	77,085,546	63,298,179	52,118,645	37,459,999	42,693,494	611,433,890
	PRESENT:													
4.	Loads 2004 Forecast	60,706	68,839	61,639	64,778	126,800	137,930	143,500	143,500	143,100	111,200	65,082	73,050	1,200,124
5.	Loads 2003	60,706	68,839	61,639	64,778	116,000	137,930	130,000	129,000	109,000	112,000	65,082	73,050	1,128,024
6.	12 Month Rolling Avg.	94,002	94,002	94,002	94,002	94,902	94,902	96,027	97,235	100,077	100,010	100,010	100,010	1,159,182
	PROPOSED:													
7.	Loads 2004 Forecast	60,706	68,839	61,639	64,778	126,800	137,930	143,500	143,500	143,100	111,200	65,082	73,050	1,200,124
8.	Loads 2003	60,706	68,839	61,639	64,778	116,000	137,930	130,000	129,000	109,000	112,000	65,082	73,050	1,128,024
9.	12 Month Rolling Avg.	94,002	94,002	94,002	94,002	94,902	94,902	96,027	97,235	100,077	100,010	100,010	100,010	1,159,182
	PRESENT REVENUE :													
10.	Network Services	$ 309,557	$ 307,611	$ 307,731	$ 307,488	$ 310,120	$ 310,196	$ 314,021	$ 319,010	$ 328,160	$ 330,755	$ 329,989	$ 330,140	$ 3,804,778
11.	Scheduling & Ld. Control	25,618	29,050	26,012	27,336	48,952	58,206	54,860	54,438	45,998	47,264	27,465	30,827	476,026
12.	Regulatory Asset Charge	51,118	48,296	49,449	51,378	73,627	89,847	113,962	108,691	89,250	73,487	52,819	60,198	862,122
13.	Total	$ 386,293	$ 384,958	$ 383,191	$ 386,202	$ 432,699	$ 458,250	$ 482,843	$ 482,138	$ 463,409	$ 451,507	$ 410,272	$ 421,165	$ 5,142,926
14.	Average Cost ($/KW)	$ 6.363	$ 5.592	$ 6.217	$ 5.962	$ 3.730	$ 3.322	$ 3.714	$ 3.738	$ 4.251	$ 4.031	$ 6.304	$ 5.765	$ 4.559
	PROPOSED REVENUE:													
15.	Network Services	$ 402,099	$ 399,572	$ 399,727	$ 399,411	$ 402,830	$ 402,929	$ 407,897	$ 414,377	$ 426,263	$ 429,634	$ 428,639	$ 428,835	$ 4,942,213
16.	Scheduling & Ld. Control	17,544	19,894	17,814	18,721	33,524	39,862	37,570	37,281	31,501	32,368	18,809	21,111	325,999
17.	Regulatory Asset Charge	51,118	48,296	49,449	51,378	73,627	89,847	113,962	108,691	89,250	73,487	52,819	60,198	862,122
18.	Total	$ 470,761	$ 467,762	$ 466,989	$ 469,510	$ 509,981	$ 532,638	$ 559,429	$ 560,349	$ 547,015	$ 535,490	$ 500,266	$ 510,144	$ 6,130,333
19.	Average Cost ($/KWH)	$ 7.755	$ 6.795	$ 7.576	$ 7.248	$ 4.396	$ 3.862	$ 4.303	$ 4.344	$ 5.018	$ 4.781	$ 7.687	$ 6.983	$ 5.435
	CHANGE IN TOTAL COST:													
20.	REVENUE	$ 84,468	$ 82,805	$ 83,798	$ 83,308	$ 77,282	$ 74,388	$ 76,586	$ 78,211	$ 83,606	$ 83,983	$ 89,994	$ 88,979	$ 987,407
21.	PERCENT INC.	21.87%	21.51%	21.87%	21.57%	17.86%	16.23%	15.86%	16.22%	18.04%	18.60%	21.94%	21.13%	19.20%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003- Annualized

MOHAVE ELECTRIC 2

LINE NO.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
	PRESENT RATE:													
1.	Network Revenue Requirement	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 13,104,193
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 17,021,676
	BILLING DETERMINANTS:													
3.	2003 kWh Energy:	-	-	-	-	-	-	-	-	-	-	-	-	-
	PRESENT:													
4.	Loads 2004 Forecast	-	-	-	-	10,504	-	21,537	14,666	4,525	16,390	-	-	67,622
5.	Loads 2003	-	-	-	-	21,304	-	35,037	29,166	38,625	15,590	-	-	139,722
6.	12 Month Rolling Avg.	11,644	11,644	11,644	11,644	10,744	10,744	9,619	8,410	5,569	5,635	5,635	5,635	108,564
	PROPOSED:													
7.	Loads 2004 Forecast	-	-	-	-	10,504	-	21,537	14,666	4,525	16,390	-	-	67,622
8.	Loads 2003	-	-	-	-	21,304	-	35,037	29,166	38,625	15,590	-	-	139,722
9.	12 Month Rolling Avg.	11,644	11,644	11,644	11,644	10,744	10,744	9,619	8,410	5,569	5,635	5,635	5,635	108,564
	PRESENT REVENUE :													
10.	Network Services	$ 38,343	$ 38,102	$ 38,117	$ 38,087	$ 35,108	$ 35,116	$ 31,454	$ 27,592	$ 18,260	$ 18,637	$ 18,594	$ 18,602	$ 356,010
11.	Scheduling & Ld. Control	-	-	-	-	8,990	-	14,786	12,308	16,300	6,579	-	-	58,963
12.	Regulatory Asset Charge	-	-	-	-	-	-	-	-	-	-	-	-	-
13.	Total	$ 38,343	$ 38,102	$ 38,117	$ 38,087	$ 44,098	$ 35,116	$ 46,239	$ 39,900	$ 34,559	$ 25,216	$ 18,594	$ 18,602	$ 414,973
14.	Average Cost ($/KW)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 2.070	$ 0.00	$ 1.320	$ 1.368	$ 0.895	$ 1.617	$ 0.00	$ 0.00	$ 2.970
	PROPOSED REVENUE:													
15.	Network Services	$ 49,806	$ 49,493	$ 49,512	$ 49,473	$ 45,603	$ 45,614	$ 40,857	$ 35,841	$ 23,718	$ 24,208	$ 24,152	$ 24,163	$ 462,439
16.	Scheduling & Ld. Control	-	-	-	-	6,157	-	10,126	8,429	11,163	4,506	-	-	40,380
17.	Regulatory Asset Charge	-	-	-	-	-	-	-	-	-	-	-	-	-
18.	Total	$ 49,806	$ 49,493	$ 49,512	$ 49,473	$ 51,760	$ 45,614	$ 50,982	$ 44,270	$ 34,881	$ 28,714	$ 24,152	$ 24,163	$ 502,819
19.	Average Cost ($/KWH)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 2.430	$ 0.00	$ 1.455	$ 1.518	$ 0.903	$ 1.842	$ 0.00	$ 0.00	$ 3.599
	CHANGE IN TOTAL COST:													
20.	REVENUE	$ 11,463	$ 11,391	$ 11,395	$ 11,386	$ 7,662	$ 10,498	$ 4,743	$ 4,370	$ 322	$ 3,498	$ 5,559	$ 5,561	$ 87,846
21.	PERCENT INC.	29.89%	29.89%	29.89%	29.89%	17.37%	29.89%	10.26%	10.95%	0.93%	13.87%	29.89%	29.89%	21.17%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003- Annualized

SULPHUR SPRINGS VALLEY

LINE NO.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
	PRESENT RATE:													
1.	Network Revenue Requirement	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 13,104,193
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 17,021,676
	BILLING DETERMINANTS:													
3.	2003 kWh Energy:	48,232,044	44,395,334	49,432,320	49,487,331	58,239,658	64,228,545	71,901,875	68,006,831	59,777,079	50,998,718	45,285,889	53,007,366	662,992,990
	PRESENT:													
4.	Loads 2004 Forecast	92,929	99,266	80,491	77,828	110,202	115,373	124,056	117,791	112,796	83,200	87,121	94,570	1,195,623
5.	Loads 2003	82,360	84,958	82,242	83,467	101,093	112,464	123,813	121,214	108,324	101,850	83,848	96,867	1,182,500
6.	12 Month Rolling Avg.	99,422	100,615	100,469	99,999	100,758	101,000	101,021	100,735	101,108	99,554	99,827	99,635	1,204,143
	PROPOSED:													
7.	Loads 2004 Forecast	92,929	99,266	80,491	77,828	110,202	115,373	124,056	117,791	112,796	83,200	87,121	94,570	1,195,623
8.	Loads 2003	82,360	84,958	82,242	83,467	101,093	112,464	123,813	121,214	108,324	101,850	83,848	96,867	1,182,500
9.	12 Month Rolling Avg.	99,422	100,615	100,469	99,999	100,758	101,000	101,021	100,735	101,108	99,554	99,827	99,635	1,204,143
	PRESENT REVENUE :													
10.	Network Services	$ 327,407	$ 329,251	$ 328,901	$ 327,104	$ 329,256	$ 330,130	$ 330,351	$ 330,493	$ 331,541	$ 329,246	$ 329,383	$ 328,902	$ 3,951,964
11.	Scheduling & Ld. Control	34,756	35,852	34,706	35,223	42,661	47,460	52,249	51,152	45,713	42,981	35,384	40,878	499,015
12.	Regulatory Asset Charge	68,007	62,597	69,700	69,777	82,118	90,562	101,382	95,890	84,286	71,908	63,853	74,740	934,820
13.	Total	$ 430,170	$ 427,701	$ 433,307	$ 432,104	$ 454,035	$ 468,152	$ 483,981	$ 477,535	$ 461,540	$ 444,135	$ 428,620	$ 444,520	$ 5,385,799
14.	Average Cost ($/KW)	$ 5.223	$ 5.034	$ 5.269	$ 5.177	$ 4.491	$ 4.163	$ 3.909	$ 3.940	$ 4.261	$ 4.361	$ 5.112	$ 4.589	$ 4.555
	PROPOSED REVENUE:													
15.	Network Services	$ 425,285	$ 427,680	$ 427,226	$ 424,892	$ 427,687	$ 428,822	$ 429,109	$ 429,293	$ 430,655	$ 427,674	$ 427,852	$ 427,227	$ 5,133,399
16.	Scheduling & Ld. Control	23,802	24,553	23,768	24,122	29,216	32,502	35,782	35,031	31,306	29,435	24,232	27,995	341,743
17.	Regulatory Asset Charge	68,007	62,597	69,700	69,777	82,118	90,562	101,382	95,890	84,286	71,908	63,853	74,740	934,820
18.	Total	$ 517,094	$ 514,830	$ 520,693	$ 518,791	$ 539,021	$ 551,886	$ 566,272	$ 560,214	$ 546,246	$ 529,016	$ 515,937	$ 529,962	$ 6,409,962
19.	Average Cost ($/KWH)	$ 6.278	$ 6.060	$ 6.331	$ 6.216	$ 5.332	$ 4.907	$ 4.574	$ 4.622	$ 5.043	$ 5.194	$ 6.153	$ 5.471	$ 5.421
	CHANGE IN TOTAL COST:													
20.	REVENUE	$ 86,924	$ 87,130	$ 87,386	$ 86,686	$ 84,985	$ 83,734	$ 82,291	$ 82,679	$ 84,707	$ 84,882	$ 87,317	$ 85,441	$ 1,024,163
21.	PERCENT INC.	20.21%	20.37%	20.17%	20.06%	18.72%	17.89%	17.00%	17.31%	18.35%	19.11%	20.37%	19.22%	19.02%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003- Annualized

TRICO ELECTRIC

LINE NO.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
	PRESENT RATE:													
1.	Network Revenue Requirement	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 13,104,193
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 17,021,676
	BILLING DETERMINANTS:													
3.	2003 kWh Energy:	28,616,792	26,448,825	28,087,967	26,589,231	36,163,241	44,641,482	52,762,499	49,421,821	43,731,413	36,492,960	29,652,027	34,912,684	437,520,942
	PRESENT:													
4.	Loads 2004 Forecast	64,118	68,644	56,861	65,759	84,553	100,951	111,002	102,749	94,076	77,474	62,709	66,845	955,741
5.	Loads 2003	48,450	55,671	51,504	52,628	83,909	98,670	109,062	108,124	91,233	84,203	58,199	68,109	909,762
6.	12 Month Rolling Avg.	77,119	78,200	78,647	79,741	79,795	79,985	80,146	79,698	79,935	79,375	79,750	79,645	952,036
	PROPOSED:													
7.	Loads 2004	64,118	68,644	56,861	65,759	84,553	100,951	111,002	102,749	94,076	77,474	62,709	66,845	955,741
8.	Loads 2003	48,450	55,671	51,504	52,628	83,909	98,670	109,062	108,124	91,233	84,203	58,199	68,109	909,762
9.	12 Month Rolling Avg.	77,119	78,200	78,647	79,741	79,795	79,985	80,146	79,698	79,935	79,375	79,750	79,645	952,036
	PRESENT REVENUE :													
10.	Direct Assignment Facilities	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 515,580
11.	Network Services	253,960	255,902	257,463	260,839	260,752	261,438	262,089	261,475	262,114	262,509	263,140	262,913	3,124,593
12.	Scheduling & Ld. Control	20,446	23,493	21,735	22,209	35,410	41,639	46,024	45,628	38,500	35,534	24,560	28,742	383,920
13.	Regulatory Asset Charge	40,350	37,293	39,604	37,491	50,990	62,944	74,395	69,685	61,661	51,455	41,809	49,227	616,905
14.	Total	$ 357,721	$ 359,653	$ 361,767	$ 363,504	$ 390,117	$ 408,986	$ 425,473	$ 419,753	$ 405,241	$ 392,462	$ 372,475	$ 383,847	$ 4,640,997
15.	Average Cost ($/KW)	$ 7.383	$ 6.460	$ 7.024	$ 6.907	$ 4.649	$ 4.145	$ 3.901	$ 3.882	$ 4.442	$ 4.661	$ 6.400	$ 5.636	$ 5.101
	PROPOSED REVENUE:													
16.	Direct Assignment Facilities	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 515,580
17.	Network Services	329,881	332,404	334,431	338,816	338,704	339,594	340,440	339,642	340,473	340,985	341,806	341,511	4,058,686
18.	Scheduling & Ld. Control	14,002	16,089	14,885	15,209	24,250	28,516	31,519	31,248	26,366	24,335	16,820	19,684	262,921
19.	Regulatory Asset Charge	40,350	37,293	39,604	37,491	50,990	62,944	74,395	69,685	61,661	51,455	41,809	49,227	616,905
20.	Total	$ 427,198	$ 428,750	$ 431,885	$ 434,481	$ 456,908	$ 474,019	$ 489,319	$ 483,540	$ 471,466	$ 459,740	$ 443,400	$ 453,386	$ 5,454,092
21.	Average Cost ($/KWH)	$ 8.817	$ 7.702	$ 8.385	$ 8.256	$ 5.445	$ 4.804	$ 4.487	$ 4.472	$ 5.168	$ 5.460	$ 7.619	$ 6.657	$ 5.995
	CHANGE IN TOTAL COST:													
22.	REVENUE	$ 69,477	$ 69,097	$ 70,118	$ 70,978	$ 66,792	$ 65,033	$ 63,846	$ 63,787	$ 66,225	$ 67,278	$ 70,925	$ 69,539	$ 813,095
23.	PERCENT INC.	19.42%	19.21%	19.38%	19.53%	17.12%	15.90%	15.01%	15.20%	16.34%	17.14%	19.04%	18.12%	17.52%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003- Annualized

CLASS A MEMBER RATES

LINE NO.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
	PRESENT RATE:													
1.	Network Revenue Requirement	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 13,104,193
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 17,021,676
	BILLING DETERMINANTS:													
3.	2003 kWh Energy:	126,326,038	117,831,478	127,842,365	126,702,103	163,924,795	194,244,624	231,843,783	219,258,480	185,619,786	154,690,109	125,749,554	145,910,410	1,919,943,525
	PRESENT:													
4.	Loads 2004 Forecast	241,520	262,014	222,921	233,529	365,783	396,777	447,220	424,586	394,667	316,623	240,260	260,628	3,806,528
5.	Loads 2003	213,662	232,785	220,467	226,864	357,854	394,013	445,719	434,684	389,658	347,726	231,166	262,560	3,757,158
6.	12 Month Rolling Avg.	315,418	317,854	318,058	318,614	319,274	319,505	319,630	318,788	319,206	316,614	317,372	317,211	3,817,543
	PROPOSED:													
7.	Loads 2004	241,520	262,014	222,921	233,529	365,783	396,777	447,220	424,586	394,667	316,623	240,260	260,628	3,806,528
8.	Loads 2003	213,662	232,785	220,467	226,864	357,854	394,013	445,719	434,684	389,658	347,726	231,166	262,560	3,757,158
9.	12 Month Rolling Avg.	315,418	317,854	318,058	318,614	319,274	319,505	319,630	318,788	319,206	316,614	317,372	317,211	3,817,543
	PRESENT REVENUE :													
10.	Direct Assignment Facilities	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 515,580
11.	Network Services	1,038,699	1,040,142	1,041,216	1,042,210	1,043,322	1,044,332	1,045,231	1,045,881	1,046,700	1,047,109	1,047,184	1,047,131	12,529,158
12.	Scheduling & Ld. Control	90,165	98,235	93,037	95,737	151,014	166,273	188,093	183,437	164,436	146,740	97,552	110,800	1,585,521
13.	Regulatory Asset Charge	178,120	166,142	180,258	178,650	231,134	273,885	326,900	309,154	261,724	218,113	177,307	205,734	2,707,120
14.	Total	$ 1,349,949	$ 1,347,485	$ 1,357,476	$ 1,359,561	$ 1,468,435	$ 1,527,456	$ 1,603,189	$ 1,581,437	$ 1,515,825	$ 1,454,927	$ 1,365,008	$ 1,406,630	$ 17,337,379
15.	Average Cost ($/KW)	$ 6.318	$ 5.789	$ 6.157	$ 5.993	$ 4.103	$ 3.877	$ 3.597	$ 3.638	$ 3.890	$ 4.184	$ 5.905	$ 5.357	$ 4.614
	PROPOSED REVENUE:													
16.	Direct Assignment Facilities	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 515,580
17.	Network Services	1,349,217	1,351,092	1,352,486	1,353,777	1,355,222	1,356,534	1,357,701	1,358,546	1,359,610	1,360,141	1,360,238	1,360,169	16,274,735
18.	Scheduling & Ld. Control	61,748	67,275	63,715	65,564	103,420	113,870	128,813	125,624	112,611	100,493	66,807	75,880	1,085,819
19.	Regulatory Asset Charge	178,120	166,142	180,258	178,650	231,134	273,885	326,900	309,154	261,724	218,113	177,307	205,734	2,707,120
20.	Total	$ 1,632,050	$ 1,627,474	$ 1,639,424	$ 1,640,956	$ 1,732,741	$ 1,787,254	$ 1,856,379	$ 1,836,289	$ 1,776,910	$ 1,721,712	$ 1,647,317	$ 1,684,748	$ 20,583,254
21.	Average Cost ($/KWH)	$ 7.638	$ 6.991	$ 7.436	$ 7.233	$ 4.842	$ 4.536	$ 4.165	$ 4.224	$ 4.560	$ 4.951	$ 7.126	$ 6.417	$ 5.478
	CHANGE IN TOTAL COST:													
22.	REVENUE	$ 282,101	268,598	$ 281,948	$ 281,395	$ 264,305	$ 259,798	$ 253,190	$ 254,852	$ 261,085	$ 266,784	$ 282,309	$ 278,118	$ 3,245,875
23.	PERCENT INC.	20.90%	19.93%	20.77%	20.70%	18.00%	17.01%	15.79%	16.12%	17.22%	18.34%	20.68%	19.77%	18.72%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003- Annualized

Cyprus TB PD Sierrita

LINE NO.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1.	Network Revenue Requiren	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 13,104,193
	PROPOSED RATE:													
2.	Network Revenue Requiren	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 17,021,676
	BILLING													
3.	2003 kWh Energy:	1,316,040	1,316,040	1,316,040	1,316,040	1,316,040	1,316,040	1,316,040	1,316,040	1,316,040	1,316,040	1,316,040	1,316,040	15,792,480
	PRESENT:													
4.	Loads 2004 Forecast	2,480	2,040	1,860	2,640	2,680	2,920	2,740	2,760	2,960	2,660	2,780	2,660	31,180
5.	Loads 2003	6,320	6,220	5,980	6,260	6,780	6,900	6,360	5,920	6,100	5,700	2,780	2,660	67,980
6.	12 Month Rolling Avg.	5,345	4,997	4,653	4,352	4,010	3,678	3,377	3,113	2,852	2,598	2,598	2,598	44,172
	PROPOSED:													
7.	Loads 2004 Forecast	2,480	2,040	1,860	2,640	2,680	2,920	2,740	2,760	2,960	2,660	2,780	2,660	31,180
8.	Loads 2003	6,320	6,220	5,980	6,260	6,780	6,900	6,360	5,920	6,100	5,700	2,780	2,660	67,980
9.	12 Month Rolling Avg.	5,345	4,997	4,653	4,352	4,010	3,678	3,377	3,113	2,852	2,598	2,598	2,598	44,172
	PRESENT REVENUE :													
10.	Network Services	$ 17,602	$ 16,351	$ 15,233	$ 14,235	$ 13,104	$ 12,023	$ 11,042	$ 10,214	$ 9,351	$ 8,593	$ 8,573	$ 8,577	$ 144,899
11.	Scheduling & Ld. Control	2,667	2,625	2,524	2,642	2,861	2,912	2,684	2,498	2,574	2,405	1,173	1,123	28,688
12.	Regulatory Asset Charge	-	-	-	-	-	-	-	-	-	-	-	-	-
13.	Total	$ 20,269	$ 18,976	$ 17,757	$ 16,876	$ 15,965	$ 14,935	$ 13,726	$ 12,712	$ 11,925	$ 10,999	$ 9,746	$ 9,700	$ 173,586
14.	Average Cost ($/KW)	$ 3.207	$ 3.051	$ 2.969	$ 2.696	$ 2.355	$ 2.164	$ 2.158	$ 2.147	$ 1.955	$ 1.930	$ 3.506	$ 3.647	$ 2.553
	PROPOSED REVENUE:													
15.	Network Services	$ 22,864	$ 21,239	$ 19,787	$ 18,490	$ 17,021	$ 15,617	$ 14,343	$ 13,268	$ 12,146	$ 11,162	$ 11,136	$ 11,141	$ 188,216
16.	Scheduling & Ld. Control	1,826	1,798	1,728	1,809	1,959	1,994	1,838	1,711	1,763	1,647	803	769	19,646
17.	Regulatory Asset Charge	-	-	-	-	-	-	-	-	-	-	-	-	-
18.	Total	$ 24,690	$ 23,037	$ 21,516	$ 20,299	$ 18,981	$ 17,611	$ 16,181	$ 14,979	$ 13,909	$ 12,809	$ 11,940	$ 11,910	$ 207,862
19.	Average Cost ($/KWH)	$ 3.907	$ 3.704	$ 3.598	$ 3.243	$ 2.800	$ 2.552	$ 2.544	$ 2.530	$ 2.280	$ 2.247	$ 4.295	$ 4.477	$ 3.058
	CHANGE IN TOTAL COST:													
20.	REVENUE	$ 4,421	$ 4,061	$ 3,759	$ 3,423	$ 3,016	$ 2,677	$ 2,455	$ 2,266	$ 1,984	$ 1,811	$ 2,193	$ 2,210	$ 34,276
21.	PERCENT INC.	21.81%	21.40%	21.17%	20.28%	18.89%	17.92%	17.89%	17.83%	16.64%	16.46%	22.50%	22.79%	19.75%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003- Annualized

Safford

LINE NO.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1.	Network Revenue Requirement	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 13,104,193
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 17,021,676
	BILLING DETERMINANTS:													
3.	2003 kWh Energy:	4,396,404	3,960,395	4,219,332	4,213,508	5,634,888	7,355,388	7,513,851	7,308,197	6,341,644	4,656,300	4,198,191	4,761,078	64,559,176
	PRESENT:													
4.	Loads 2004 Forecast	7,454	7,910	7,454	8,241	13,480	15,406	16,254	15,199	15,474	9,941	7,251	7,923	131,987
5.	Loads 2003	7,344	7,793	7,344	8,119	13,281	15,178	16,014	14,974	15,245	9,794	7,144	7,806	130,036
6.	12 Month Rolling Avg.	10,846	10,855	10,864	10,875	10,891	10,910	10,930	10,949	10,968	10,980	10,989	10,999	131,056
	PROPOSED:													
7.	Loads 2004 Forecast	7,454	7,910	7,454	8,241	13,480	15,406	16,254	15,199	15,474	9,941	7,251	7,923	131,987
8.	Loads 2003	7,344	7,793	7,344	8,119	13,281	15,178	16,014	14,974	15,245	9,794	7,144	7,806	130,036
9.	12 Month Rolling Avg.	10,846	10,855	10,864	10,875	10,891	10,910	10,930	10,949	10,968	10,980	10,989	10,999	131,056
	PRESENT REVENUE :													
10.	Network Services	$ 35,715	$ 35,523	$ 35,567	$ 35,572	$ 35,590	$ 35,661	$ 35,743	$ 35,921	$ 35,965	$ 36,314	$ 36,259	$ 36,308	$ 430,137
11.	Scheduling & Ld. Control	3,099	3,289	3,099	3,426	5,605	6,405	6,758	6,319	6,433	4,133	3,015	3,294	54,875
12.	Regulatory Asset Charge													
13.	Total	$ 38,814	$ 38,811	$ 38,666	$ 38,998	$ 41,195	$ 42,066	$ 42,501	$ 42,240	$ 42,398	$ 40,447	$ 39,274	$ 39,602	$ 485,012
14.	Average Cost ($/KW)	$ 5.285	$ 4.980	$ 5.265	$ 4.803	$ 3.102	$ 2.772	$ 2.654	$ 2.821	$ 2.781	$ 4.130	$ 5.497	$ 5.073	$ 3.730
	PROPOSED REVENUE:													
15.	Network Services	$ 46,392	$ 46,142	$ 46,199	$ 46,206	$ 46,230	$ 46,322	$ 46,428	$ 46,660	$ 46,716	$ 47,170	$ 47,099	$ 47,162	$ 558,726
16.	Scheduling & Ld. Control	2,122	2,252	2,122	2,346	3,838	4,386	4,628	4,327	4,406	2,830	2,065	2,256	37,580
17.	Regulatory Asset Charge													
18.	Total	$ 48,515	$ 48,394	$ 48,322	$ 48,552	$ 50,068	$ 50,708	$ 51,056	$ 50,987	$ 51,122	$ 50,000	$ 49,163	$ 49,418	$ 596,306
19.	Average Cost ($/KWH)	$ 6.606	$ 6.210	$ 6.580	$ 5.980	$ 3.770	$ 3.341	$ 3.188	$ 3.405	$ 3.353	$ 5.105	$ 6.882	$ 6.331	$ 4.586
	CHANGE IN TOTAL COST:													
20.	REVENUE	$ 9,700	$ 9,583	$ 9,656	$ 9,554	$ 8,873	$ 8,642	$ 8,555	$ 8,747	$ 8,724	$ 9,553	$ 9,889	$ 9,816	$ 111,294
21.	PERCENT INC.	24.99%	24.69%	24.97%	24.50%	21.54%	20.54%	20.13%	20.71%	20.58%	23.62%	25.18%	24.79%	22.95%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

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Total For Network Tariff

LINE NO.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1.	Network Revenue Requirement	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 1,092,016	$ 13,104,193
	PROPOSED RATE:													
2.	Network Revenue Requirement	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 1,418,473	$ 17,021,676
	BILLING DETERMINANTS:													
3.	2003 kWh Energy:	132,038,482	123,107,913	133,377,737	132,231,651	170,875,723	202,916,052	240,673,674	227,882,717	193,277,470	160,662,449	131,263,785	151,987,528	2,000,295,181
	PRESENT:													
4.	Loads 2004 Forecast	251,454	271,964	232,235	244,410	381,943	415,103	466,214	442,545	413,101	329,224	250,291	271,211	3,969,695
5.	Loads 2003	227,326	246,798	233,791	241,243	377,915	416,091	468,093	455,578	411,003	363,220	241,090	273,026	3,955,174
6.	12 Month Rolling Avg.	331,609	333,706	333,576	333,840	334,176	334,093	333,937	332,851	333,025	330,192	330,959	330,808	3,992,771
	PROPOSED:													
7.	Loads 2004 Forecast	251,454	271,964	232,235	244,410	381,943	415,103	466,214	442,545	413,101	329,224	250,291	271,211	3,969,695
8.	Loads 2003	227,326	246,798	233,791	241,243	377,915	416,091	468,093	455,578	411,003	363,220	241,090	273,026	3,955,174
9.	12 Month Rolling Avg.	331,609	333,706	333,576	333,840	334,176	334,093	333,937	332,851	333,025	330,192	330,959	330,808	3,992,771
	PRESENT REVENUE :													
10.	Direct Assignment Facilities	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 515,580
11.	Network Services	1,092,016	1,092,016	1,092,016	1,092,016	1,092,016	1,092,016	1,092,016	1,092,016	1,092,016	1,092,016	1,092,016	1,092,016	13,104,193
12.	Scheduling & Ld. Control	95,932	104,149	98,660	101,805	159,480	175,590	197,535	192,254	173,443	153,279	101,740	115,217	1,669,083
13.	Regulatory Asset Charge	178,120	166,142	180,258	178,650	231,134	273,885	326,900	309,154	261,724	218,113	177,307	205,734	2,707,120
14.	Total	$ 1,409,032	$ 1,405,272	$ 1,413,899	$ 1,415,436	$ 1,525,595	$ 1,584,456	$ 1,659,416	$ 1,636,389	$ 1,570,148	$ 1,506,373	$ 1,414,028	$ 1,455,932	$ 17,995,977
15.	Average Cost ($/KW)	$ 6.198	$ 5.694	$ 6.048	$ 5.867	$ 4.037	$ 3.808	$ 3.545	$ 3.592	$ 3.820	$ 4.147	$ 5.865	$ 5.333	$ 4.550
	PROPOSED REVENUE:													
16.	Direct Assignment Facilities	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 42,965	$ 515,580
17.	Network Services	1,418,473	1,418,473	1,418,473	1,418,473	1,418,473	1,418,473	1,418,473	1,418,473	1,418,473	1,418,473	1,418,473	1,418,473	17,021,676
18.	Scheduling & Ld. Control	65,697	71,325	67,566	69,719	109,217	120,250	135,279	131,662	118,780	104,971	69,675	78,905	1,143,045
19.	Regulatory Asset Charge	178,120	166,142	180,258	178,650	231,134	273,885	326,900	309,154	261,724	218,113	177,307	205,734	2,707,120
20.	Total	$ 1,705,255	$ 1,698,905	$ 1,709,261	$ 1,709,807	$ 1,801,789	$ 1,855,573	$ 1,923,617	$ 1,902,255	$ 1,841,942	$ 1,784,522	$ 1,708,420	$ 1,746,076	$ 21,387,422
21.	Average Cost ($/KWH)	$ 7.501	$ 6.884	$ 7.311	$ 7.087	$ 4.768	$ 4.460	$ 4.109	$ 4.175	$ 4.482	$ 4.913	$ 7.086	$ 6.395	$ 5.407
	CHANGE IN TOTAL COST:													
22.	REVENUE	$ 296,223	$ 293,633	$ 295,363	$ 294,372	$ 276,194	$ 271,117	$ 264,201	$ 265,865	$ 271,794	$ 278,149	$ 294,392	$ 290,144	3,391,445
23.	PERCENT INC.	21.02%	20.90%	20.89%	20.80%	18.10%	17.11%	15.92%	16.25%	17.31%	18.46%	20.82%	19.93%	18.85%

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003- Annualized

AVERAGE COST-CLASS A MEMBERS

LINE NO.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
	AVG COST ($/kW) - PRESENT RATES													
1.	AEC	5.455	5.345	5.021	5.394	4.072	3.890	3.427	3.443	3.988	4.360	5.364	4.962	4.409
2.	DVEC	5.950	5.458	5.569	5.360	4.089	3.748	4.048	4.263	3.701	4.057	5.382	4.925	4.552
3.	GCEC	6.559	6.179	5.867	5.370	4.186	3.348	3.355	3.314	3.419	4.114	5.759	6.108	4.388
4.	MEC	6.363	5.592	6.217	5.962	3.730	3.322	3.714	3.738	4.251	4.031	6.304	5.765	4.559
5.	SSVEC	5.223	5.034	5.269	5.177	4.491	4.163	3.909	3.940	4.261	4.361	5.112	4.589	4.555
6.	TEC	7.383	6.460	7.024	6.907	4.649	4.145	3.901	3.882	4.442	4.661	6.400	5.636	5.101
7.	CLASS A MEMBER AVG.	6.318	5.789	6.157	5.993	4.103	3.877	3.597	3.638	3.890	4.184	5.905	5.357	4.614
	AVG COST ($/kW) - PROPOSED RATES													
8.	AEC	6.570	6.438	6.022	6.492	4.833	4.595	3.984	4.012	4.703	5.186	6.429	5.906	5.240
9.	DVEC	7.212	6.609	6.724	6.467	4.840	4.401	4.737	5.022	4.354	4.830	6.519	5.912	5.429
10.	GCEC	8.012	7.541	7.098	6.495	4.972	3.887	3.864	3.823	4.004	4.906	6.999	7.410	5.223
11.	MEC	7.755	6.795	7.576	7.248	4.396	3.862	4.303	4.344	5.018	4.781	7.687	6.983	5.435
12.	SSVEC	6.278	6.060	6.331	6.216	5.332	4.907	4.574	4.622	5.043	5.194	6.153	5.471	5.421
13.	TEC	8.817	7.702	8.385	8.256	5.445	4.804	4.487	4.472	5.168	5.460	7.619	6.657	5.995
14.	CLASS A MEMBER AVG.	7.638	6.991	7.436	7.233	4.842	4.536	4.165	4.224	4.560	4.951	7.126	6.417	5.478

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003- Annualized

BILLING UNIT AND TRANSMISSION REVENUE SUMMARY WORKSHEET

POINT TO POINT TRANSMISSION SERVICES - PRESENT RATES

AEPCO Bundled Sales

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Mesa15	Loads	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000
	Rate p/p	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	
	Total Dollars P/P	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 42,075	$ 504,900
SRP	Loads	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,200,000
	Rate p/p	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	
	Total Dollars P/P	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 280,500	$ 3,366,000
ED2	Loads	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	96,000
	Rate p/p	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	
	Total Dollars P/P	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 22,440	$ 269,280
	Total Revenue	$ 345,015	$ 345,015	$ 345,015	$ 345,015	$ 345,015	$ 345,015	$ 345,015	$ 345,015	$ 345,015	$ 345,015	$ 345,015	$ 345,015	$ 4,140,180
	Total Loads	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	
	Load Control & Disp	$ 51,906	$ 51,906	$ 51,906	$ 51,906	$ 51,906	$ 51,906	$ 51,906	$ 51,906	$ 51,906	$ 51,906	$ 51,906	$ 52,455	$ 623,421
	Total Revenue	$ 396,921	$ 396,921	$ 396,921	$ 396,921	$ 396,921	$ 396,921	$ 396,921	$ 396,921	$ 396,921	$ 396,921	$ 396,921	$ 397,470	$ 4,763,601

POINT TO POINT TRANSMISSION SERVICES-PROPOSED RATES

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Mesa15	Loads	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000
	Rate p/p	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	
	Total Dollars P/P	$ 45,476	$ 45,476	$ 45,476	$ 45,476	$ 45,476	$ 45,476	$ 45,476	$ 45,476	$ 45,476	$ 45,476	$ 45,476	$ 45,476	$ 545,716
SRP	Loads	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,200,000
	Rate p/p	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	
	Total Dollars P/P	$ 303,175	$ 303,175	$ 303,175	$ 303,175	$ 303,175	$ 303,175	$ 303,175	$ 303,175	$ 303,175	$ 303,175	$ 303,175	$ 303,175	$ 3,638,106
ED2	Loads	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	96,000
	Rate p/p	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	
	Total Dollars P/P	$ 24,254	$ 24,254	$ 24,254	$ 24,254	$ 24,254	$ 24,254	$ 24,254	$ 24,254	$ 24,254	$ 24,254	$ 24,254	$ 24,254	$ 291,048
	Total Revenue	$ 372,906	$ 372,906	$ 372,906	$ 372,906	$ 372,906	$ 372,906	$ 372,906	$ 372,906	$ 372,906	$ 372,906	$ 372,906	$ 372,906	$ 4,474,870
	Total Loads	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	1,476,000
	Load Control & Disp	$ 35,547	$ 35,547	$ 35,547	$ 35,547	$ 35,547	$ 35,547	$ 35,547	$ 35,547	$ 35,547	$ 35,547	$ 35,547	$ 35,547	$ 426,564
	Total Revenue	$ 408,453	$ 408,453	$ 408,453	$ 408,453	$ 408,453	$ 408,453	$ 408,453	$ 408,453	$ 408,453	$ 408,453	$ 408,453	$ 408,453	$ 4,901,434

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003- Annualized

SOUTHWEST WHEELING POINT TO POINT- PRESENT RATES

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
MW&E 60 MW	Loads	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	
wheeling	Rate p/p	2.765	2.765	2.765	2.765	2.765	2.765	2.765	2.765	2.765	2.765	2.765	2.765	
	Total Dollars P/P	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 165,900	$ 1,990,800
AEPCO/Mead	Loads	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	
	Rate P/P	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	2.805	
	Total Dollars P/P	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 112,200	$ 1,346,400
THATCHER	Loads	4,000	4,000	4,000	4,000	6,000	6,000	6,000	6,000	6,000	6,000	4,000	4,000	
	Rate P/P(dnc contract)	2.336	2.336	2.336	2.336	2.336	2.336	2.336	2.336	2.336	2.336	2.336	2.336	
	Total Dollars P/P	$ 9,344	$ 9,344	$ 9,344	$ 9,344	$ 14,016	$ 14,016	$ 14,016	$ 14,016	$ 14,016	$ 14,016	$ 9,344	$ 9,344	$ 140,160
	Total Revenue	$ 287,444	$ 287,444	$ 287,444	$ 287,444	$ 292,116	$ 292,116	$ 292,116	$ 292,116	$ 292,116	$ 292,116	$ 287,444	287,444	3,477,360
	Total Loads	104,000	104,000	104,000	104,000	106,000	106,000	106,000	106,000	106,000	106,000	104,000	104,000	1,260,000
	Load Control & Disp	$ 43,888	$ 43,888	$ 43,888	$ 43,888	$ 44,732	$ 44,732	$ 44,732	$ 44,732	$ 44,732	$ 44,732	$ 43,888	$ 43,888	$ 531,720
	Total Revenue	$ 331,332	$ 331,332	$ 331,332	$ 331,332	$ 336,848	$ 336,848	$ 336,848	$ 336,848	$ 336,848	$ 336,848	$ 331,332	$ 331,332	$ 4,009,080

SOUTHWEST WHEELING POINT TO POINT- PROPOSED RATES

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
MW&E 60 MW	Loads	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	
wheeling	Rate p/p	3.013	3.013	3.013	3.013	3.013	3.013	3.013	3.013	3.013	3.013	3.013	3.013	
	Total Dollars P/P	$ 180,803	$ 180,803	$ 180,803	$ 180,803	$ 180,803	$ 180,803	$ 180,803	$ 180,803	$ 180,803	$ 180,803	$ 180,803	$ 180,803	$ 2,169,631
AEPCO/Mead	Loads	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	
	Rate P/P	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	3.032	
	Total Dollars P/P	$ 121,270	$ 121,270	$ 121,270	$ 121,270	$ 121,270	$ 121,270	$ 121,270	$ 121,270	$ 121,270	$ 121,270	$ 121,270	$ 121,270	$ 1,455,242
THATCHER	Loads	4,000	4,000	4,000	4,000	6,000	6,000	6,000	6,000	6,000	6,000	4,000	4,000	
	Rate P/P(dnc contract)	2.624	2.624	2.624	2.624	2.624	2.624	2.624	2.624	2.624	2.624	2.624	2.624	
	Total Dollars P/P	$ 10,497	$ 10,497	$ 10,497	$ 10,497	$ 15,746	$ 15,746	$ 15,746	$ 15,746	$ 15,746	$ 15,746	$ 10,497	$ 10,497	$ 157,456
	Total Revenue	$ 312,570	$ 312,570	$ 312,570	$ 312,570	$ 317,818	$ 317,818	$ 317,818	$ 317,818	$ 317,818	$ 317,818	$ 312,570	$ 312,570	$ 3,782,330
	Total Loads	104,000	104,000	104,000	104,000	106,000	106,000	106,000	106,000	106,000	106,000	104,000	104,000	1,260,000
	Load Control & Dspth	$ 30,056	$ 30,056	$ 30,056	$ 30,056	$ 30,634	$ 30,634	$ 30,634	$ 30,634	$ 30,634	$ 30,634	$ 30,056	$ 30,056	$ 364,140
	Total Revenue	$ 342,626	$ 342,626	$ 342,626	$ 342,626	$ 348,452	$ 348,452	$ 348,452	$ 348,452	$ 348,452	$ 348,452	$ 342,626	$ 342,626	$ 4,146,470

Southwest Transmission Cooperative, Inc.

Analysis of Revenue by Detailed Class 07/07/2004

2003 Annualized

TOTAL FOR POINT-TO-POINT TARIFF

POINT-TO-POINT TARIFF-PRESENT RATES

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Total Revenue	$ 632,459	$ 632,459	$ 632,459	$ 632,459	$ 637,131	$ 637,131	$ 637,131	$ 637,131	$ 637,131	$ 637,131	$ 632,459	$ 632,459	$ 7,617,540
Total Loads	227,000	227,000	227,000	227,000	229,000	229,000	229,000	229,000	229,000	229,000	227,000	227,000	2,736,000
Load Control & Disp	$ 95,794	$ 95,794	$ 95,794	$ 95,794	$ 96,638	$ 96,638	$ 96,638	$ 96,638	$ 96,638	$ 96,638	$ 95,794	$ 96,343	$ 1,155,141
Total Revenue	$ 728,253	$ 728,253	$ 728,253	$ 728,253	$ 733,769	$ 733,769	$ 733,769	$ 733,769	$ 733,769	$ 733,769	$ 728,253	$ 728,802	$ 8,772,681

POINT-TO-POINT TARIFF-PROPOSED RATES

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Total Revenue	$ 685,476	$ 685,476	$ 685,476	$ 685,476	$ 690,724	$ 690,724	$ 690,724	$ 690,724	$ 690,724	$ 690,724	$ 685,476	$ 685,476	$ 8,257,200
Total Loads	227,000	227,000	227,000	227,000	229,000	229,000	229,000	229,000	229,000	229,000	227,000	227,000	2,736,000
Load Control & Disp	$ 65,603	$ 65,603	$ 65,603	$ 65,603	$ 66,181	$ 66,181	$ 66,181	$ 66,181	$ 66,181	$ 66,181	$ 65,603	$ 65,603	$ 790,704
Total Revenue	$ 751,079	$ 751,079	$ 751,079	$ 751,079	$ 756,905	$ 756,905	$ 756,905	$ 756,905	$ 756,905	$ 756,905	$ 751,079	$ 751,079	$ 9,047,904

Southwest Transmission
COOPERATIVE, INC
P.O. BOX 2195 • BENSON, ARIZONA 85602 • (520) 586-5599 • southwesttransmission.org

BEFORE THE ARIZONA CORPORATION COMMISSION

TESTIMONY

IN SUPPORT OF

THE SOUTHWEST TRANSMISSION COOPERATIVE, INC.

RATE APPLICATION

DOCKET NO. E-04100A

JULY 2004

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A

DIRECT TESTIMONY OF DIRK MINSON

BEFORE THE

ARIZONA CORPORATION COMMISSION

ON BEHALF OF

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

INTRODUCTION

Q. Please state your name and business address.

A. My name is Dirk Minson and my business address is 1000 South Highway 80, Benson, Arizona, 85602.

Q. Mr. Minson, by whom are you employed and in what capacity?

A. As the Chief Financial Officer of Southwest Transmission Cooperative, Inc. ("Southwest"), I serve as part of the Executive Management Team and report directly to the Chief Executive Officer. My specific responsibilities and duties include the accounting functions of the Cooperative, including establishing fiscal policy and procedure development and implementation of appropriate financial controls. Additional responsibilities include financial and corporate planning, rate design, development and implementation in addition to corporate treasury functions, as well as cash and working capital management, inventory control and risk management.

Q. Please briefly describe your educational background and work related experience.

A. I hold a B.S. Degree in Business Administration from Kansas State University and an M.B.A. from the University of Missouri. My entire 29-year career has been spent either working directly or indirectly for electric cooperative utilities. I began my employment with Arizona Electric Power Cooperative, Inc. in 1982 and was promoted to the position of Chief Financial Officer in May 1990.

Q. Mr. Minson, what is the purpose of your testimony?

A. I will provide the Commission information on Southwest, its members and its Board and member review and approval process for this rate filing. I'll also describe generally the rate request. Gary Pierson, our Manager of Financial Services, will testify more specifically concerning the A-H rate filing schedules. Bill Edwards of the National Rural Utilities Cooperative Finance Corporation will provide information in support of Southwest's Times Interest Earned Ratio ("TIER") and Debt Service Coverage Ratio ("DSCR") requirements.

BACKGROUND

Q. Mr. Minson, please describe Southwest.

A. Southwest is a non-profit, transmission cooperative which was formed in 1999 in anticipation of the restructuring of the Arizona Electric Power Cooperative, Inc. ("AEPCO"). The Commission approved the restructuring in Decision No. 63868 and, on August 1, 2001, AEPCO's transmission assets were transferred to Southwest and it commenced operations. Southwest primarily provides wholesale transmission services to AEPCO on behalf of its five all requirements Class A Member distribution cooperatives and to Mohave Electric Cooperative, Inc. ("Mohave") (the "distribution cooperatives"). These six Class A Members of AEPCO are also Class A Members of Southwest. One distribution cooperative, Anza Electric Cooperative, Inc., is located in south-central California. The other five Arizona distribution cooperatives are the Duncan Valley Electric Cooperative, Inc. ("Duncan"), Graham County Electric Cooperative, Inc. ("Graham"), Mohave, Sulphur Springs Valley Electric Cooperative ("SSVEC") and Trico Electric Cooperative, Inc. ("Trico"). The Arizona distribution cooperatives are regulated by this Commission. Southwest also provides transmission services to AEPCO for certain of its other sales.

Q. Does Southwest have Class B Members?

A. Yes. AEPCO is a Class B Member of Southwest, as is Sierra Southwest Cooperative Services, Inc. ("Sierra"), which was the third cooperative created as part of AEPCO's restructuring. Southwest's other Class B Member is the Morenci Water & Electric Company ("MW&E"), a wholly-owned subsidiary of the Phelps Dodge Corporation which has a certificated service territory in and around the Phelps Dodge Morenci mine in Greenlee County. As I'll explain later, MW&E is completing transmission facilities that allow it to bypass Southwest's transmission system and has given notice of the cancellation of its firm transmission service agreement with Southwest. When the firm transmission service agreement terminates, MW&E will no longer be eligible for Class B membership.

Q. Does Southwest have transmission agreements with other entities?

A. A few. Southwest provides OATT-based wholesale transmission service to the City of Safford and the Town of Thatcher and has pre-OATT transmission agreements with the Avra Valley Irrigation and Drainage

District and the Silverbell Irrigation and Drainage District. Southwest also has umbrella service agreements under its Open Access Transmission Tariff ("OATT") to enable entities to conduct real time transactions on the Southwest Open Access Same Time Information System. To date, only AEPCO, Tucson Electric Power Company ("TEP") and Mohave have requested any transmission services from Southwest under an umbrella service agreement.

Q. Is Southwest regulated by agencies other than the Commission?

A. Yes. Southwest is a borrower from the Rural Utilities Service ("RUS") which is a division of the United States Department of Agriculture. As an RUS borrower, Southwest is subject to its regulation--both by virtue of its mortgage and also pursuant to federal regulations promulgated by the RUS. Southwest is also a "transmitting utility" under Section 211 of the Federal Power Act. As a transmitting utility, Southwest is subject to certain jurisdiction of the Federal Energy Regulatory Commission ("FERC") and in order to meet the requirements for reciprocity under FERC Order No. 888, it maintains a FERC-approved OATT.

Q. Please briefly describe Southwest's transmission facilities.

A. Southwest owns approximately 603 miles of transmission lines and 20 substations. Some of those transmission facilities are jointly owned with the Salt River Project and TEP. We also have contracts to receive transmission service from those companies, as well as Arizona Public Service, the Western Area Power Administration and Southern California Edison.

Q. How is Southwest governed?

A. Southwest's Board of Directors oversees all aspects of its operations. The Board is comprised of seven directors. Six of them (one for each Class A Member distribution cooperative) are designated as their representatives to our Board by the distribution cooperatives, whose Board members are elected by their retail customer/owners. The remaining Southwest director is designated by our Class B Members.

Q. Did Southwest's Board approve this rate filing?

A. Yes, it did. Between November 2003 and July 2004, several meetings were held with the Board of Directors discussing the need for and the elements of Southwest's rate filing. In addition, during May and June 2004, meetings were also held with Southwest's Class A Member Boards of Directors and their respective staffs to review the revenue requirement increase request. These meetings culminated in the Southwest Board of Directors approving the filing of this rate case and associated revenue requirement increase during a July 2004 meeting.

OVERVIEW OF FILING

Q. Please summarize Southwest's rate request.

A. Mr. Pierson will testify in greater detail concerning the requested rate increase. Overall, Southwest requests that the Commission approve revised rates which increase revenues by 13.7%. The revised rates are designed to produce a TIER of 1.15 and a DSCR of 1.11 which, if achieved, will keep Southwest in compliance with the standards required by its RUS mortgage and RUS rules and also provide modest margins and working capital coverage. The direct testimony of Mr. Edwards provides additional support for Southwest's TIER and DSCR requirements.

Q. Can you estimate the impact that this increase would have on the retail member/owner's bill?

A. That is difficult to estimate with any precision, because each distribution cooperative has different rates and varying rate structures. Generally, however, transmission service costs account for about 10% of the total delivered rate at retail. If you assume a residential rate of $.10 per kwh, on average one cent of that rate is attributable to Southwest's transmission service. Therefore, a residential consumer of Southwest's Class A Members using 750 kwh per month would see about a $1.45 increase in the monthly bill as a result of this rate request.

Q. Mr. Minson, why is this rate increase needed?

A. One of the reasons for this request is to make allowance for necessary maintenance and upgrades of the Southwest transmission system. The Winchester Interconnect Project is chief among these. As discussed with the Siting Committee and Commission in the CEC process which led to issuance of Decision No. 65934, it was completed to enhance system reliability and provide for improved performance of the entire bulk power system serving Southwest's members. It was placed in service in May of 2004. The Winchester Interconnect Project has a significant impact on Southwest's debt and total transmission plant. The $15.7 million cost is about 20% of Southwest's total depreciated transmission plant.

However, the major reason for the request is MW&E's bypass of the Southwest transmission system and the significant reduction in use of its transmission service with Southwest. As a result, Southwest is losing approximately $2.8 million in annual revenues this year. These revenues had been used to reduce the overall costs which the distribution cooperatives and others had to pay for their use of the system. To place the significance of that revenue loss in context, $2.8 million represents nearly 9% of Southwest's <u>total</u> 2003 operating revenues and is more than five times as great as the roughly $500,000 in annual operating margins which are requested in this rate filing. By January 1, 2006, all firm and non-firm revenues totaling $5.1 million annually will be lost.

Q. Please explain further.

A. MW&E, a wholly-owned subsidiary of the Phelps Dodge Corporation ("PD"), provides the electricity which PD requires to operate its copper mining and processing facilities at Morenci, Arizona. MW&E purchases Morenci's electricity requirements from others and historically has used Southwest's transmission system to deliver approximately 190 MW to the mine site under its firm and non-firm transmission arrangements with Southwest. MW&E is completing a new transmission line and a 345/230 kV substation which instead connect its existing facilities directly to the system of TEP and enable MW&E to bypass Southwest's transmission system. The Commission approved the revised MW&E/PD electric service agreement, which reflected the costs of these new connection facilities to TEP, in April of this year--finding in that Decision that: "Usage of the new transmission line will reduce and eventually replace usage of Southwest Transmission Cooperative's line." (Docket No. E-01049A-04-0135.) MW&E has advised us that the new line will initially serve up to 100 MW of the PD load at Morenci radially from TEP's Phil Young switchyard. By the end of September, MW&E and Southwest expect to complete the modifications at Southwest's Morenci substation to enable the systems to operate as a closed loop. As the non-firm service agreement between MW&E and Southwest obligates MW&E to pay for only that non-firm wheeling service it requests, once MW&E has a closed loop, Southwest expects to lose the remaining 30 MW of non-firm wheeling service for the PD Morenci load. This 130 MW of non-firm service represents the $2.8 million in lost revenues I mentioned previously. Then, on January 1, 2006, with the termination of the MW&E <u>firm</u> service, Southwest will lose the additional $2.3 million of revenue associated with the MW&E firm wheeling.

Q. Mr. Minson, how does Southwest propose to deal with this large loss of revenues?

A. In two stages. First, we have made an adjustment in the schedules to account for the loss of the $2.8 million in <u>non-firm</u> transmission service to MW&E. In 2003, MW&E took approximately 130 MW of transmission service from Southwest under its non-firm transmission service agreement. Second, we ask that the Commission authorize a procedure to allow Southwest to adjust its rates, without the need for another general rate case, on January 1, 2006 to account for the remaining $2.3 million revenue loss which will occur on the termination of the <u>firm</u> transmission service agreement.

Q. Please describe the details of this procedure.

A. We will work with Staff to refine the procedure during the processing of this application. But, in concept, we would file with the Commission in

October 2005 schedules reflecting financial information concerning Southwest's achieved and expected results for the 2005 calendar year together with TIER, DSCR, rate base and rate of return information. The results would be adjusted to account for the loss of the firm transmission service revenues from MW&E. Revised rate schedules would also be submitted showing the rates necessary to return Southwest to the rate of return, TIER and DSCR levels authorized in the rate decision issued in this case. The Staff would have 60 days to review the filing, ask questions concerning it and submit its recommendation. The Commission would then enter its order in December 2005 authorizing revised rates, effective as of January 1, 2006. I can't stress strongly enough the importance of having a timely and efficient way of handling this extraordinary revenue loss on the Southwest system. The procedure which I have outlined accomplishes both objectives and also provides the Commission sufficient, reliable information to assure just and reasonable rates.

Q. In Decision No. 64991, the Commission instructed Southwest to file a Capital Plan by the end of 2002. Did Southwest comply with that instruction?

A. Yes, we did. The Capital Plan described generally how Southwest might achieve the Staff-recommended equity positions of 10% by 2006, 15% by 2010 and 30% by 2015. The forecasts did not, however, factor in the large MW&E revenue losses I have just described. As Southwest's Chief Financial Officer, I agree with the Commission that it's important for the Cooperative to continue to build equity, although that goal must be balanced against the need to moderate rates to the distribution cooperatives and their customer/owners. If Southwest can get rapid relief in this rate case as well as authorization of the procedure to further adjust rates on January 1, 2006, we will make significant progress in accomplishing both objectives.

CONCLUSION

Q. Mr. Minson, please summarize Southwest's requests.

A. We would ask that the Commission enter its Order authorizing the revised rates as described in Mr. Pierson's testimony. Further, we would ask that the Commission authorize a one-time rate adjustment procedure to account for the additional loss in the next 18 months of the additional MW&E transmission service revenues as I've described previously.

Q. Does this conclude your testimony?

A. Yes, it does.

15169-6/1192305

B

DIRECT TESTIMONY OF

GARY E. PIERSON

BEFORE THE

ARIZONA CORPORATION COMMISSION

ON BEHALF OF

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

Q. Please state your name and address for the record.

A. My name is Gary E. Pierson. My business address is Sierra Southwest Cooperative Services, Inc., P.O. Box 2165, 1000 South Highway 80, Benson, Arizona, 85602.

Q. By whom are you employed and in what capacity?

A. I am employed by Sierra Southwest Cooperative Services, Inc. ("Sierra Southwest") as the Manager of Financial Services. As Manager of Financial Services, I am responsible for directing and administrating the treasury, cash management and risk management functions for Sierra Southwest. In addition, as a result of staffing agreements that Sierra Southwest has with Arizona Electric Power Cooperative, Inc. ("AEPCO") and Southwest Transmission Cooperative, Inc. ("Southwest"), I am responsible for directing and administrating the treasury, cash management, risk management and rate design/implementation functions for these two cooperatives as well.

Q. Please briefly summarize your educational and professional background.

A. I graduated in 1974 from Western State College, Gunnison, Colorado, with a Bachelor of Arts Degree specializing in Accounting and Business Administration. In June 1974, I was employed by Colorado-Ute Electric Association, Inc. and worked there for seventeen years in various positions in the areas of ratemaking, budgeting, financial forecasting and power requirements studies. In May 1992, I was employed by AEPCO as a Rates Administrator in the Financial Services Division where my principal responsibilities and duties included the preparation of rate filings, the design of rate structures and rate analysis studies. In 1993, I was promoted to the position of Manager of Financial Services and in August 2001, as a result of the restructuring of AEPCO into three separate cooperatives, I was employed in that same position by Sierra Southwest. I have testified as an expert witness before the Public Utilities Commission of the State of Colorado, the United States Bankruptcy Court in Denver, Colorado and the Arizona Corporation Commission in connection with various proceedings involving rate cases.

Q. What is the purpose of your testimony in this proceeding?

A. I will testify in support of the application for a general rate filing for Southwest. My testimony is primarily directed to the financial schedules prepared pursuant to the requirements of A.A.C. R14-2-103 (the "Schedules").

Q. Please describe the Schedules.

A. They are a multi-page exhibit containing the Schedules A-H and are divided into the following categories:

Schedule Category	Section Tab
Summary Schedules	A
Rate Base Schedules	B
Test Year Income Statements	C
Cost of Capital Schedules	D
Financial Statements and Statistical Schedules	E
Projections and Forecast Schedules	F
Cost of Service Analysis Schedules	G
Effect of Proposed Tariff Schedules	H

Q. Please describe Section A of the Schedules.

A. Section A contains the summary schedules that explain the rate filing. Schedule A-1 shows the computation of the increase in gross revenue requirements that result from the development of the financial schedules. An increase in revenues from Southwest Network and Point-to-Point service customers in the amount of $3,666,668 results from the proposal that (1) the existing Network Services Rate for transmission service be changed from a monthly Network revenue requirement of $1,092,016 to $1,418,473, (2) the existing Point-to-Point Services Rate be changed from $2.805 per kW month to $3.032 per kW month and (3) the existing System Control & Load Dispatching Rate be changed from $0.422 per kW month to $0.289 per kW month. The coverage ratios produced by this proposal are a Times Interest Earned Ratio ("TIER") of 1.15 and a Debt Service Coverage Ratio ("DSCR") of 1.11, consistent with the levels discussed in the testimony of Mr. Minson and Mr. Edwards of the National Rural Utilities Cooperative Finance Corporation ("CFC"). The $3,666,668 represents an increase of 13.70% over the revenues that would be generated by present rates and, based upon a test period adjusted rate base of $79,392,886, generates a rate of return of 7.42%.

Schedule A-2 provides summary results of operations for the calendar years 2001, 2002 and 2003 and the adjusted test year. On an adjusted test year basis, column 5 shows that Southwest had a net margin loss of $2,894,762, a TIER of 0.44 and a DSCR of 0.79. On an adjusted test year basis with proposed rates, Column 6 shows that Southwest would have a net margin of $771,906 and, as mentioned above, a TIER of 1.15 and a DSCR of 1.11. Schedule A-3 provides a summary of the

Southwest capital structure and capitalization ratios for various years and Schedule A-4 provides construction expenditures, net plant additions and gross utility plant in service data. Finally, Schedule A-5 summarizes Southwest changes in financial position.

Q. Please describe Section B of the Schedules.

A. Section B contains supporting rate base schedules that are used in the Southwest rate filing. Schedule B-1 summarizes the components of original cost rate base of $79,392,886, as of December 31, 2003. They include gross utility plant in service of $131,520,683, accumulated depreciation and amortization of $55,772,833, allowances for working capital of $3,122,116, plant held for future use of $377,214 and deferred debits of $145,705. Schedule B-2 reflects pro forma adjustments to the original cost rate base for the inclusion of the capital costs for the Winchester Project that will be discussed later in my testimony. Schedules B-3 and B-4 concerning reconstructed cost net of depreciation ("RCND") rate base have not been completed. As a non-profit cooperative, Southwest stipulates to the use of its original cost rate base as its fair value rate base.

Schedule B-5, page 1 of 5, provides the computation of working capital by components, which add up to total working capital of $3,122,116. Schedule B-5, page 2 of 5 which reflects the calculation of cash working capital has not been completed. Southwest has not performed a lead/lag study and stipulates to the use of a zero value for its cash working capital.

Q. Please describe Section C of the Schedules.

A. Section C contains the adjusted test year income statements and supporting schedules to the income statement. Schedule C-1, pages 1 through 4, provides the adjusted test year income statement and the pro forma as-adjusted test year income statement for the test year 2003. As noted on Schedule C-1, page 2, Southwest had net margins of $2,021,945 during the test year ending December 31, 2003. The second column represents reclassification adjustments made to the test period, which have a zero effect on the net margins of Southwest, and Column 3 of Schedule C-1, pages 1 and 2, shows the income statement with these reclassifications. Schedule C-1, pages 3 and 4, sets forth the Southwest reclassified income statement and the effects of pro forma adjustments to that income statement. Its first column shows the reclassified test year income statement with net margins of $2,021,945. The second column displays adjustments to reflect changes in revenues and/or expenses so as to normalize or annualize revenues and expenses in the test period. The third column shows, pro forma as adjusted, the net margin loss of $2,894,762.

Schedule C-2, pages 1-10, provides the detail on the reclassification and pro forma adjustments to revenues and expenses. They are as follows:

Reclassification Adjustments – Schedule C-2, Pages 1 and 2:

1. Southwest Revenue Reclassification – This adjustment reclassifies the ancillary services revenues that Southwest collects from various Point-to-Point Customers as credits against the operating expenses that Southwest pays to AEPCO for the services during the test period. In essence, these revenues and charges are a pass-through, at cost, of ancillary services provided by AEPCO to the various Point-to-Point Customers. Therefore, Southwest has removed them from its cost of service. The net effect of this reclassification on net margins is zero.

2. Property Tax Reclassification – This adjustment reclassifies property taxes that are recorded in various operation and maintenance expense categories according to Rural Utilities Service ("RUS") accounting procedures to Taxes so that these expenses can be shown separately for ratemaking purposes. The net effect of this reclassification on net margins also is zero.

Pro Forma Adjustments – Schedule C-2, Pages 1 through 6:

1. City of Mesa Contract Adjustment – This adjustment annualizes the effect of the termination of the 17.5 MW sales contract to the City of Mesa from AEPCO that occurred on May 31, 2003. As a result of the termination of that contract, AEPCO is no longer purchasing from Southwest Point-to-Point transmission service charges to wheel the power associated with this contract. Therefore, these

revenues have been removed from the test period. The effect of this adjustment is to reduce net margins by $282,363.

2. City of Thatcher Sales Adjustment – This adjustment annualizes contractual changes to the City of Thatcher Point-to-Point service that became effective January 1, 2004. The effect is to reduce net margins by $13,790.

3. Mohave Electric Cooperative – This adjustment annualizes revenues to reflect certain contractual amendments that have been made to the transmission agreement between Southwest and Mohave Electric Cooperative. This adjustment increases net margins by $19,870.

4. DAF Revenue Adjustment – This adjustment annualizes the Direct Assignment Facilities charges that are billed to Trico Electric Cooperative, Inc by Southwest. The effect of this adjustment is to increase net margins by $5,487.

5. Morenci Water & Electric ("MW&E") Non-Firm Wheeling Revenue Adjustment – This adjustment removes the revenues associated with MW&E non-firm Point-to-Point transmission service provided by Southwest during the test period because of MW&E's bypass of the transmission system. Mr. Minson provides the background for this adjustment in his testimony. This adjustment decreases net margins by $2,823,017.

6. City of Safford Sales Adjustment – This adjustment annualizes the change in transmission service for the City of Safford from a special contract entered into

before the advent of FERC Order 888 to Network service. The effect of this adjustment reduces net margins by $184,628.

7. Labor Expense Adjustment – This adjustment annualizes labor expense and associated payroll taxes and benefits to reflect wage increases that occurred during the test period and is based upon actual staffing as of the end of the test period. This adjustment decreases net margins by $224,438.

8. Winchester Project Fixed Cost Adjustment – This adjustment annualizes the depreciation, insurance and property taxes associated with the Winchester Project which is discussed in Mr. Minson's testimony. This adjustment decreases net margins by $810,065.

9. Depreciation Adjustment – This adjustment annualizes depreciation expense based upon plant in service as of the end of the test period. The effect is to reduce net margins by $30,146.

10. Winchester Interest Expense Adjustment – This adjustment annualizes the interest expense associated with the Winchester Project discussed in Mr. Minson's testimony. This adjustment decreases net margins by $750,270.

11. A-8 Loan Draw FFB Interest Expense Adjustment – This adjustment annualizes interest expense to reflect the second A-8 FFB loan draw that was made in February 2004 to reimburse Southwest for general funds expended in the

construction of transmission plant that is in service in the test year. The effect of this adjustment decreases net margins by $242,682.

12. Interest Expense Adjustment – This adjustment annualizes interest expense based upon debt balances and interest rates as of the end of the test year and increases interest expense by $19,790. The effect decreases net margins by $19,790.

13. Other Deductions Adjustment – This adjustment removes charges to other deductions that should not be reflected in the test year. The effect of this adjustment increases net margins by $439,125.

As indicated on page 6 of Schedule C-2, these pro forma adjustments in expenses and revenues result in a decrease in net margins of $4,916,707. Finally, Schedule C-3, concerning the computation of the gross revenue conversion factor, is not applicable because Southwest is a non-profit cooperative and does not pay income taxes.

Q. Please describe Section D of the Schedules.

A. Section D contains information on Southwest's cost of capital for the calendar years 2001, 2002 and 2003. Schedule D-1 sets forth the computed cost of capital as of December 31, 2003 for the actual and projected test year. Invested debt capital, as of December 31, 2003, amounted to $87,591,547 with a composite cost rate of 5.67%. Schedule D-2 shows long-term and short-term debt balances by lender that comprise the total, the interest rates associated with the debt balances and the computation of the composite cost rate. Schedules D-3 and D-4 are not applicable to Southwest because it is a member owned, non-profit cooperative and has no stock.

Q. Please describe Section E of the Schedules.

A. Section E provides financial statements and statistical schedules for the calendar years 2003, 2002 and 2001. Schedule E-1 provides comparative balance sheets and Schedule E-2 shows comparative income statements. Schedule E-3 provides a comparative statement of changes in financial position and Schedule E-4 reflects changes in equity. Schedule E-5 details utility plant additions during 2003 and the balances as of December 31, 2002 and 2003. Schedule E-6 is not applicable to Southwest. Schedule E-7 provides Southwest operating statistics while Schedule E-8 lists taxes charged to operations. I have attached to my testimony as Exhibit GEP-1 the Southwest Audited Financial Statements, December 31, 2003 and 2002, which contains the Independent Auditors' Report to the Southwest Board dated March 25, 2004. It provides the information specified in Schedule E-9.

Q. Please describe Section F of the Schedules.

A. Section F contains projections and forecast schedules. Schedule F-4 discusses certain assumptions that were used in developing the projections contained in these schedules.

Q. Please describe Section G of the Schedules.

A. Section G contains schedules that present cost of service information. Schedule G-1 provides a cost of service summary for the pro forma adjusted test year based upon present rates, while Schedule G-2 provides a cost of service summary for the pro forma adjusted test year based upon developed rates. Schedule G-2A sets forth the computation of the proposed rates for transmission services. These rates are consistent with Federal Energy Regulatory Commission ("FERC") Order 888, which provides for open transmission services and comparable interconnections by transmitting utilities. FERC Order 888 requires that a transmitting utility offer firm or non-firm Point-to-Point and firm Network service transmission on a non-discriminatory open access basis. Under Section 211 of the Federal Power Act, customers can seek transmission services from transmitting utilities like Southwest and FERC requires these utilities to provide comparable access to the national grid. Southwest has made a "safe harbor" filing with FERC based on the methodology used to develop these rates and has obtained a ruling that the methodology is comparable and meets the non-discriminatory open access requirements.

Schedule G-2A, page 1, sets forth the derivation of the annual transmission revenue requirement, which equals total operating expenses less other revenues plus margin requirements. Schedule G-2A, page 2, provides a summary of the proposed transmission service rates for the firm Point-to-Point and Network services offered by Southwest. In addition, the schedule lists the proposed rates for mandatory and optional ancillary services. Southwest provides the Schedule 1 System Control and Load Dispatch Ancillary Service and the calculation of the proposed rate is provided on subsequent pages. Schedules 2-6 detail Ancillary Services that are provided or offered by AEPCO and the calculation of these proposed rates are listed on subsequent pages. Schedule G-2A, page 3, shows the calculation of the firm Point-to-Point rate, which results from dividing the annual transmission revenue requirement by the product of the coincidental peak demand multiplied by 12. The Network services revenue requirement is calculated by subtracting the Point-to-Point revenues from the annual transmission revenue requirement. The Network service proposed rate set forth on Schedule G-2A, page 2, is then obtained by dividing the Network services revenue requirement by twelve months and each Network services customer is billed each month by multiplying the Network service proposed rate by their respective load ratio share percentage. The load ratio share percentage is obtained by dividing the Network services rolling twelve-month average transmission demand by the total of all Network service customers' rolling twelve-month average transmission demand.

Schedule G-2A, page 4, shows the calculation of the mandatory Schedule 1 system control and load dispatch proposed ancillary service rate. Schedule G-2A, page 5, sets forth the calculation of the mandatory Schedule 2 var support/voltage control proposed ancillary service rate and is based upon costs provided by AEPCO. Schedule G-2A, page 6, sets forth the AEPCO cost information that is used to calculate the proposed rates for the optional Schedule 3, 5 and 6 ancillary services. Schedule G-2A, page 9, shows the derivation of the proposed rate for the optional Schedule 4 ancillary service and is based upon AEPCO cost information.

Q. Please describe Section H of the Schedules.

A. Section H shows the effect of the proposed rate tariff schedules on the revenues generated by sales to the Network and Point-to-Point customers. Schedule H-1 summarizes the revenues generated by present rates and the proposed rates for the pro forma test year 2003. This schedule shows that present rates would generate revenues from sales of transmission to Network services and Point-to-Point customers of $26,768,658 and that proposed rates would generate revenues of $30,435,326. Thus the proposed rates would generate additional revenues of $3,666,668 over present rates. Schedule H-2, page 1, compares revenues generated by present and proposed rates for each of the Class A Members as well as the other Network services customers. Schedule H-2, pages 2-12, displays an analysis of revenues generated on a monthly basis for each of the Network services customers. Page 13 shows the average monthly costs in $/kW month to each of the Class A Members based upon present and proposed rates. Schedule H-2, pages 14-16, displays an analysis of revenues generated on a monthly basis for each of the Point-to-Point customers. Schedules H-4 and H-5 are not applicable to Southwest.

Q. Does this conclude your direct testimony?

A. Yes it does.

1191342/15169-6

Exhibit GEP-1

KPMG

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

Financial Statements

December 31, 2003 and 2002

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 700, Two Park Square
6565 Americas Parkway NE
PO Box 3990
Albuquerque, NM 87190

Independent Auditors' Report

The Board of Directors
Southwest Transmission Cooperative, Inc.

We have audited the accompanying balance sheets of Southwest Transmission Cooperative, Inc. (the Cooperative) as of December 31, 2003 and 2002, and the related statements of revenues and expenses and unallocated accumulated margins, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Transmission Cooperative, Inc. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also issued a report dated March 25, 2004 on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

March 25, 2004

Southwest Transmission Cooperative, Inc.
Balance Sheets
December 31, 2003 and 2002

Assets	2003	2002
Utility Plant:		
Plant in service	**$ 117,847,897**	$ 115,279,214
Construction work in progress	**6,321,507**	2,822,389
Total utility plant	**124,169,404**	118,101,603
Less - Accumulated depreciation	**(55,772,833)**	(52,463,708)
Utility plant, net	**68,396,571**	65,637,895
Investments and Other Property:		
Restricted held to maturity investments	**1,355,652**	1,350,375
Other	**1,199,968**	1,191,490
Total investments and other property	**2,555,620**	2,541,865
Current Assets:		
Cash and cash equivalents	**7,820,883**	3,202,174
Restricted cash and cash equivalents	**825,966**	-
Accounts receivable	**2,941,538**	2,763,871
Materials and supplies inventory	**931,106**	839,883
Prepayments and other current assets	**266,196**	149,053
Total current assets	**12,785,689**	6,954,981
Deferred Debits	**14,700,460**	17,714,531
Total Assets	**$ 98,438,340**	$ 92,849,272

See accompanying notes to the financial statements.

Southwest Transmission Cooperative, Inc.
Balance Sheets
December 31, 2003 and 2002

Membership Capital and Liabilities	**2003**	2002
Membership Capital:		
Membership fees	**$ 900**	$ 900
Patronage capital	**2,217,335**	1,520,795
Unallocated accumulated margins	**2,021,945**	696,540
Total membership capital	**4,240,180**	2,218,235
Long-Term Debt:		
Federal Financing Bank	**54,277,391**	52,802,815
Cooperative utility trusts	**12,733,423**	13,193,086
Solid waste disposal revenue bonds	**8,404,900**	8,632,939
Pollution control revenue bonds	**2,741,366**	3,572,083
Rural Utilities Service	**1,940,685**	2,343,382
Cooperative Finance Corporation	**806,515**	886,512
Total long-term debt	**80,904,280**	81,430,817
Current Liabilities:		
Member advances	**184,193**	56,105
Current maturities of long-term debt	**6,687,267**	6,065,813
Accounts payable	**4,371,492**	1,402,371
Accrued property taxes	**934,643**	796,406
Accrued interest	**423,221**	444,789
Other	**622,244**	389,516
Total current liabilities	**13,223,060**	9,155,000
Deferred Credits	**70,820**	45,220
Total Membership Capital And Liabilities	**$ 98,438,340**	$ 92,849,272

See accompanying notes to the financial statements.

Southwest Transmission Cooperative, Inc.
Statements of Revenues and Expenses and Unallocated Accumulated Margins
For the Years Ended December 31, 2003 and 2002

	2003	2002
Operating Revenues:		
Sales of electric transmission-		
Members-		
Class A - Firm	$ 13,421,164	$ 12,574,474
Class B - Firm	8,079,847	8,951,863
Class B - Non-firm	2,153,622	1,358,952
Non-members	164,625	137,583
Regulatory asset charge	2,707,122	2,622,363
Sales of ancillary services-		
Members-		
Class A	2,412,904	1,167,830
Class B	4,980,297	3,169,659
Non-members	94,940	120,481
Total operating revenues	34,014,521	30,103,205
Operating Expenses:		
Transmission operation	9,650,415	8,591,869
Depreciation and amortization	6,435,586	6,265,707
Administration and general	3,742,292	3,863,439
Property and other taxes	2,176,869	1,808,659
Transmission wheeling charges	3,028,246	2,906,024
Transmission maintenance	2,386,913	1,978,193
Total operating expenses	27,420,321	25,413,891
Operating Margin	6,594,200	4,689,314
Interest Expense	4,401,910	4,509,494
Other Income (Loss), net	(170,345)	225,751
Net Margin	2,021,945	405,571
Unallocated Accumulated Margins, January 1	696,540	290,969
Patronage Capital Allocation	(696,540)	-
Unallocated Accumulated Margins, December 31	$ 2,021,945	$ 696,540

See accompanying notes to the financial statements.

Southwest Transmission Cooperative, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002

	2003	2002
Cash Flows from Operating Activities:		
Net margin	**$ 2,021,945**	$ 405,571
Adjustments to reconcile net margin to net cash flows provided by operating activities-		
Depreciation and amortization	**3,728,439**	3,643,330
Amortization of deferred charges	**3,014,651**	3,350,747
Changes in assets and liabilities-		
Restricted cash and cash equivalents	**(825,966)**	-
Accounts receivable	**(177,667)**	819,177
Materials and supplies inventory	**(91,223)**	69,603
Deferred debits	**(580)**	(2,472)
Accrued property taxes	**138,237**	(148,893)
Accounts payable	**2,969,121**	738,945
Accrued interest	**(21,568)**	(73,358)
Deferred credits	**25,600**	(390,390)
Other, net	**111,735**	(157,648)
Net cash provided by operating activities	**10,892,724**	8,254,612
Cash Flows from Investing Activities:		
Construction expenditures	**(6,483,265)**	(3,994,608)
Maturities of investments	**0**	6,396
Purchases of investments	**(13,755)**	(317,785)
Net cash used in investing activities	**(6,497,020)**	(4,305,997)
Cash Flows from Financing Activities:		
Member advances, net	**128,088**	(7,817)
Retirement of long-term debt	**(6,065,083)**	(5,716,144)
Issuance of long-term debt	**6,160,000**	-
Net cash provided by (used) in financing activities	**223,005**	(5,723,961)
Net Decrease in Cash and Cash Equivalents	**4,618,709**	(1,775,346)
Cash and Cash Equivalents, January 1	**3,202,174**	4,977,520
Cash and Cash Equivalents, December 31	**$ 7,820,883**	$ 3,202,174
Supplemental Disclosures:		
Cash paid for interest, net of amount capitalized	**$ 4,423,478**	$ 4,582,852

See accompanying notes to the financial statements.

Notes to Financial Statements

Southwest Transmission Cooperative, Inc.
For the Year Ended December 31, 2003 and 2002

1. Organization:

The Cooperative is organized under Arizona law as a non-profit Arizona rural electric transmission cooperative, which provides electric transmission and ancillary services to its customers. The Cooperative was organized with two classes of Members. Class A Members consist of non-profit electric cooperative or non-profit membership corporations which are electric utilities that are or have been beneficiaries of the Rural Electrification Act of 1936 and have or will have agreements wherein their power and associated energy are delivered using transmission and related facilities owned by the Cooperative and/or transmission rights in third party systems controlled by the Cooperative; and that have each joined with the other Class A members in the Cooperative's operations in order to share the benefits and costs of ownership of an entity engaged in providing transmission services for the benefit of its members. There are currently six Class A Members. Class B members consist of generation and transmission electric cooperatives organized under Arizona law and other electric utilities which currently have, or will have, agreements with the Cooperative whereby transmission services are purchased from the Cooperative. There are currently three Class B Members.

2. Summary of Significant Accounting Policies:

System of Accounts – The Cooperative maintains its accounts in accordance with policies and procedures as prescribed by the Rural Utilities Service (RUS) in conformity with the Uniform System of Accounts. The Cooperative's accounting policies conform to accounting principles generally accepted in the United States as applied in the case of regulated public utilities and are in accordance with the accounting requirements and rate-making practices of the RUS and the Arizona Corporation Commission (ACC).

Accounting for the Effects of Regulation - The Cooperative prepares its financial statements in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation." SFAS No. 71 requires cost-based, rate-regulated enterprises to reflect the impact of regulatory decisions in their financial statements. It is the Cooperative's policy to assess the recoverability of costs, which have been recognized as regulatory assets, and the Cooperative's ability to continue to account for its activities in accordance with SFAS No. 71, and the criteria set forth in SFAS No. 71.

Certain costs, which have been approved by ACC order, or those costs from which management expects to benefit or recover in future periods through rates, are deferred and amortized over the expected period of benefit (See Note 6).

Utility Plant - Utility Plant is stated at historical cost and includes the costs of outside contractors, direct labor and materials, allocable overhead, and interest charged to construction.

In accordance with the Uniform System of Accounts, the Cooperative capitalizes the interest costs associated with the borrowing of funds used to finance construction work in progress (CWIP). Interest income from construction funds held in trust, if any, are credited to CWIP. Interest costs capitalized on construction projects were approximately $23,000 and $30,000 in 2003 and 2002, respectively.

Depreciation is computed on a straight-line basis over the estimated useful lives of depreciable property in accordance with rates prescribed by the RUS, averaging 3.2 percent and 3.1 percent for 2003 and 2002, respectively. Depreciation expense was approximately $3,676,000 and $3,591,000 for the years ended December 31, 2003 and 2002, respectively. Minor replacements and repairs are charged to expense as incurred. Retirements of utility plant, together with the cost of removal, less salvage, are charged to accumulated depreciation.

The Cooperative assesses its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference. The Cooperative has not recorded losses resulting from impairment of its long-lived assets.

Investments – The Cooperative reports its investments in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." SFAS provides that the Cooperative classify investments in securities as either trading securities, held to maturity securities, or available-for-sale securities. At December 31, 2002 and 2001, the total investment balances were classified as held to maturity investments (See Note 3).

Cash and Cash Equivalents – For purposes of reporting cash flows, the Cooperative considers all marketable securities with an original maturity of 90 days or less to be cash equivalents. The Cooperative maintains its cash in bank accounts, which, at times, may exceed federally insured limits. The Cooperative has not experienced any losses in such accounts.

Receivables – The Cooperative records its receivables at net realizable value. A bad debt reserve is established for those accounts that management believes are probable of not being collectible in their entirety.

Inventories - Inventories, consisting of materials and supplies, are carried at average cost and are valued at the lower of cost or market.

Unamortized Debt Costs – Costs incurred for the issuance or repricing of long-term debt are deferred and amortized over the life of the related debt (See Note 6).

Deferred Debits – Deferred debits are recorded at cost and either: 1) amortized over their expected period of benefit or alternate period of time as may be mandated by any applicable regulatory order, if different, or 2) eliminated upon determination of their ultimate disposition.

Deferred Credits – Deferred credits are recorded at cost and either: 1) amortized over their expected period of benefit or alternate period of time as may be mandated by any applicable regulatory order, if different, or 2) eliminated upon determination of their ultimate disposition.

Revenues - Revenues are accrued as electric transmission or other services are provided.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Investments and Other Property:

Investments and other property at December 31, consist of the following:

	2003	2002
Term certificates	**$ 1,355,652**	$ 1,350,375
Investment in associated organization (See Note 17)	**1,000,000**	1,000,000
Other	**199,968**	191,490
Total investments and other property	**$ 2,555,620**	$ 2,541,865

Term certificates - The Cooperative is a member the National Rural Utilities Cooperative Finance Corporation (CFC), a not-for-profit cooperative financing institution, owned and controlled by more than 1,000 rural electric member systems and their affiliates. As a condition of membership, the Cooperative is required to possess Subscription Capital Term Certificates (SCTCs), which bear interest at 5 percent per annum and have maturity dates ranging from 2070 to 2080. The Cooperative also assumed a portion of a Zero Term Certificate (ZTC), which was originally purchased as a condition of the long-term debt due to the CFC. The ZTC purchased in connection with the long-term debt due to the CFC is non-interest bearing and matures in 2013 upon final repayment of the related debt. The SCTCs and ZTC are un-rated, un-collateralized debt securities of the CFC. Fair value equals cost for these investments.

4. Restricted Cash and Cash Equivalents:

RUS has established a Cushion of Credit Payment Program, whereby borrowers may make advance payments on their RUS and Federal Financing Bank (FFB) notes (Notes). These advance payments earn interest at the rate of 5 percent per annum. The advance payments, plus any accrued interest, can only be used for the payment of principal and interest on the Notes. The Cooperative's participation in the Cushion of Credit Payment Program totaled $825,966 and $0 at December 31, 2003 and 2002, respectively.

5. Accounts Receivable:

Accounts receivable at December 31, consist of the following:

	2003	2002
Electric transmission sales	**$ 2,743,061**	$ 2,655,734
Telecommunication/line maintenance services	**40,320**	31,747
Other	**158,157**	76,390
Total accounts receivable	**$ 2,941,538**	$ 2,763,871

Electric transmission sales – Electric transmission sales consist of sales to Members and non-members under transmission service agreements (See Note 11) and are generally not collateralized.

6. Deferred Debits:

Deferred debits at December 31, consist of the following:

	2003	2002
Regulatory asset	**$11,487,485**	$14,194,633
Unamortized debt costs	**2,334,497**	2,594,622
Other	**878,478**	925,276
Total deferred debits	**$14,700,460**	$17,714,531

Regulatory asset - The ACC authorized the recovery of the regulatory asset through the imposition of a specific charge. The regulatory asset, pursuant to an order from the ACC, is being amortized as revenues related to the regulatory asset are collected.

7. Patronage Capital:

	2003	2002
January 1	**$ 1,520,795**	$ 1,520,795
Patronage capital allocation	**696,540**	0
December 31	**$ 2,217,335**	$ 1,520,795

In accordance with the Cooperative's bylaws, the Cooperative is obligated to account on a patronage basis, to all its members for all amounts received and receivable from the furnishing of electric energy and other services to members in excess of the sum of:

- operating costs and expenses, including interest on debt services, properly chargeable against the furnishing of electric energy and other services; and
- amounts required to offset any losses incurred during the current or any prior fiscal year; and
- maintenance of reserves, if any.

All such amounts in excess of operating costs, expenses and prior losses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members as capital. The Cooperative is obligated to pay by credits or account for losses to a capital account for each member all such amounts for credits or losses in proportion to the value or quantity of the Cooperative's service used, received or purchased by each member during the applicable fiscal year in excess of operating costs and expenses and prior losses.

RUS mortgage provisions require written approval of any declaration or payment of capital credits. These provisions restrict the payment of capital credits to 25 percent of the margins received by the Cooperative in the preceding year, unless total membership capital exceeds 40 percent of the total assets of the Cooperative.

8. Long-Term Debt:

Federal Financing Bank (FFB) –This debt is payable at interest rates based on long-term obligations of the United States Government as determined on the date of advance. Interest rates on individual FFB notes ranged from 4.3 percent to 9.1 percent for 2003 and 5.0 percent to 9.1 percent for 2002. Interest rates on the debt averaged 6.2 percent in 2003 and 2002. Equal quarterly principal and interest installments on these obligations extend through 2021. The obligations are guaranteed by the RUS. The Cooperative may prepay all outstanding notes by paying the principal amount plus the lesser of: 1) the difference between the outstanding principal balance of the loan being refinanced or the present value of the loan discounted at a rate equal to the current cost of funds to the Department of the Treasury for obligations of comparable maturity; 2) 100 percent of the amount of interest for one year on the outstanding principal balance of the loan being refinanced; or 3) present value of 100 percent of the amount of interest for one year on the outstanding principal balance of the loan.

Cooperative Utility Trust -The Cooperative issued a note, underlying a Certificate of Beneficial Interests (the Certificate), to a Cooperative Utility Trust. Principal payments on the note are due annually in installments ranging from $398,092 to $1,572,497 from 2004 to 2018. The interest rate on the note is 7.7 percent. Interest is paid semi-annually. The note is guaranteed by the RUS. The Certificate is callable, only in whole, at any time on or after September 1, 2006, at redemption prices declining from an initial redemption price of 103.50 percent of par to 100 percent of par from and after September 1, 2013. The Certificate is also subject to prepayment at par at any time on or after September 1, 2006.

Pollution Control Revenue Refunding Bonds - Principal payments on the Series 1997 Pollution Control Revenue Refunding Bonds are payable semi-annually through mandatory sinking fund payments ranging from $830,716 to $959,396 from 2004 through 2007. The interest rates in effect at December 31, 2003, ranged from 4.7 percent to 5.0 percent. The interest rate on the bonds averaged 5.0 percent in 2003 and 2002. Interest is paid semi-annually. These bonds are guaranteed by the CFC. The bonds are not subject to optional redemption prior to maturity.

<u>Solid Waste Disposal Revenue Bonds</u> - Principal on these bonds is due in annual installments ranging from $228,040 to $716,692 from 2004 to 2024. Interest rates on the bonds are variable and are subject to revision semi-annually. The interest rate in effect at December 31, 2003, was 1.1 percent. The interest rate on the bonds averaged 1.2 percent and 1.9 percent in 2003 and 2002, respectively. Interest is paid semi-annually. These bonds are guaranteed by the CFC. The Cooperative may redeem the bonds in whole or in part, subject to a premium of one-eighth of 1 percent of the principal amount.

<u>Rural Utilities Service</u> – This long-term debt consists of notes at interest rates of 2 percent and 5 percent. The interest rate on such borrowings averaged 4.5 percent and 4.4 percent for 2003 and 2002, respectively. Quarterly principal and interest payments on this obligation extend through 2015. The Cooperative may prepay the notes at the lesser of the outstanding principal balance of the loan or the discounted present value. The discount rate is the rate specified in the *Treasury Constant Maturities* section of the weekly publication of the *Federal Reserve Statistical Release.*

<u>Cooperative Finance Corporation</u> –This long-term debt is payable at a variable interest rate that is established monthly and effective on the first day of each month. The interest rate in effect at December 31, 2003, was 2.6 percent. The interest rate on such borrowings averaged 3.0 percent and 4.0 percent for 2003 and 2002, respectively. Quarterly principal and interest payments on this obligation extend through 2013. This obligation is guaranteed by the RUS. The variable interest rate on the debt is convertible to a fixed rate. The fixed rate would be equal to the rate of interest offered by the CFC at the time of the conversion request. The Cooperative may prepay fixed rate notes in whole or in part, subject to a prepayment premium prescribed by the CFC.

Maturities of long-term debt for the next five years are as follows:

2004	$ 6,687,267
2005	7,119,020
2006	7,557,504
2007	8,030,813
2008	7,494,096
Thereafter	50,702,847
Total	$87,591,547

Under covenants of the mortgage held by RUS and the RUS general and pre-loan policies and procedures, the Cooperative, must, among other things, obtain approvals from both the RUS and the CFC for certain transactions and contracts and design rates with a view to maintaining, on an annual basis, certain coverage ratios. These coverage ratios, calculated retrospectively using the highest ratios from two of the three most recent calendar years, must not be less than 1.05 for the times interest earned ratio and 1.0 for the debt service coverage ratio. The average times interest earned and average debt service coverage ratios for 2003, calculated retrospectively using the highest ratios from two of the three most recent calendar years, is 1.29 and 1.17, respectively.

Long-term debt is collateralized by the pledge of all assets through the mortgage.

Components of interest expense at December 31, consist of the following:

	2003	2002
Total interest costs	**$ 4,424,770**	$ 4,539,859
Interest capitalized	**(22,860)**	(30,365)
Total interest expense	**$ 4,401,910**	$ 4,509,494

9. Accounts Payable:

Accounts payable at December 31, consist of the following:

	2003	2002
Wheeling charges	**$ 1,039,274**	$ 788,161
Other	**3,332,218**	614,210
Total accounts payable	**$ 4,371,492**	$ 1,402,371

10. Member Advances:

The Cooperative offers all Members the ability to invest funds with the Cooperative on a short-term basis for periods of up to nine months. Interest rates offered on the notes (1 to 270 day maturity) are the rates announced by the Cooperative as its note participation program rates as of the date of the note. The Cooperative did not have outstanding liabilities for notes at December 31, 2003 and 2002. The interest rate on the notes averaged 1.4 percent and 1.9 percent in 2003 and 2002, respectively. Interest expense on these notes was approximately $400 and $800 for the years ended December 31, 2003 and 2002, respectively.

The Cooperative also offers a prepayment program for all members whereby the members may make interest-bearing prepayments of their monthly transmission billings. Terms offered on the prepayment program are the same as the note participation program. The prepayment and accrued interest are applied to the members' transmission billings on the date such billings become due. The Cooperative recorded liabilities for prepayments of $184,193 and $56,105 at December 31, 2003 and 2002, respectively. The interest rate on prepayments averaged 1.4 percent and 2.0 percent in 2003 and 2002, respectively. Interest expense on the prepayment program was approximately $2,800 and $4,000 for the years ended December 31, 2003 and 2002, respectively.

Interest rates on the notes and prepayments offered by the Cooperative vary depending on the length of the maturity period selected by the Members. Interest rates offered to Members ranged from 1.0 percent to 1.4 percent and 1.2 percent to 1.6 percent at December 31, 2003 and 2002, respectively.

11. Commitments and Contingencies:

Personnel Staffing Agreement – The Cooperative has a personnel staffing agreement with Sierra Southwest Cooperative Services, Inc. (Sierra) (See Note 17), whereby Sierra provides personnel staffing services for all positions except certain key staff and management positions, who are employees of the Cooperative. The personnel staffing agreement provides that the Cooperative shall pay for the actual and verifiable costs incurred by Sierra for personnel, materials, supplies and all other direct, indirect and overhead costs incurred by Sierra in carrying out its responsibilities under the personnel staffing agreement. The term of the staffing agreement is for five years from the effective date of August 1, 2001. The agreement is automatically extended for five successive years unless terminated by either party no later than two years prior to the conclusion of such fifth contract year.

Approximately 43% percent of the personnel employed by Sierra are subject to a collective bargaining agreement. Sierra entered into a three-year collective bargaining agreement, effective March 1, 2002.

Class A Member Network Service Agreements – The Cooperative holds an agreement with AEPCO, in accordance with the Cooperative's Open Access Transmission Tariff, to provide network integration transmission service to AEPCO to deliver AEPCO's power to AEPCO's five all-requirements Class A distribution cooperative members of AEPCO. The Cooperative entered into a separate agreement, in accordance with the Cooperative's Open Access Transmission Tariff, to directly provide network integration transmission service to AEPCO's partial requirements Class A Member. These agreements will remain in effect as long as any existing wholesale power contract between AEPCO and any of AEPCO's Class A members remains in effect. In 2003, those agreements were extended to December 31, 2035. In the opinion of management, the Cooperative will be able to provide service in accordance with these agreements.

Class B Member Network Service Agreement – The agreement to provide transmission service to AEPCO to deliver power to one of AEPCO's Class B members pursuant to AEPCO's power and energy sale agreement, which provided for transmission service for up to 100 MW, expired on May 31, 2002 in conjunction with the expiration of AEPCO's power and energy sale agreement.

AEPCO Bundled Transmission Service Agreements – The Cooperative also has agreements with AEPCO, in accordance with the Cooperative's Open Access Transmission Tariff, to provide point-to-point or network integration transmission service to AEPCO for AEPCO's bundled power sales agreements. These agreements provide for reserved transmission capacity ranging from 8 MW to 100 MW and will remain in effect in accordance with each respective service agreement. In the opinion of management, the Cooperative will be able provide service in accordance with these agreements.

Other Transmission Service Agreements – The Cooperative holds separate transmission service agreements with other entities in accordance with the Cooperative's Open Access Transmission Tariff or other agreements. The terms of these other transmission service agreements provide for reserved transmission capacity ranging from 5 MW to 60 MW and will remain in effect in accordance with each respective service agreement. In the opinion of management, the Cooperative will be able to provide service in accordance with these agreements.

Transmission Wheeling Agreements – The Cooperative purchases transmission wheeling rights from other entities. There are currently five transmission wheeling agreements under which the Cooperative purchases transmission to provide for deliveries to AEPCO's Class A Members, to the AEPCO bundled transmission service agreements, and to other potential transmission customers. The terms of these transmission wheeling agreements provide for wheeling rights ranging from 4 MW to 200 MW and expire from 2004 to 2021.

Lines of Credit -
Short-term financing: The Cooperative maintains a line of credit for short-term financing with the CFC of $6,000,000. The term of the agreement is for 12 months starting August 19, 2003. Interest rates on all advances under the line of credit will be equal to the total rate per annum as may be fixed by CFC from time to time, which shall not exceed the *Prevailing Bank Prime Rate*, as published in the *Money Rates* column of the *Wall Street Journal*, plus one percent per annum. The bank prime rate at December 31, 2003 was 4.00 percent. No amounts were drawn under the line of credit for the year ended December 31, 2003.

Company credit card program: The Cooperative also maintains a line of credit agreement with the CFC of $250,000 as part of its company credit card program. The term of the agreement is for 12 months from August 7, 2003. The agreement automatically renews for subsequent periods of 12 months. Interest rates on all advances under the line of credit will be equal to the total rate per annum as may be fixed by CFC from time to time, which shall not exceed the *Prevailing Bank Prime Rate*, as published in the *Money Rates* column of the *Wall Street Journal*, plus one percent per annum. The bank prime rate at December 31, 2003 was 4.00 percent. No amounts were drawn under the line of credit for the year ended December 31, 2003.

12. Income Tax Status:

For the years ended December 31, 2003 and 2002, the Cooperative qualifies for tax-exempt status under Internal Revenue Code section 501 (c) (12), which requires that 85 percent or more of income consist of amounts collected from Members for the sole purpose of meeting losses and expenses.

13. Employee Benefit Plans:

Pension Plans - The Cooperative has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service, age, retirement interest rate, and the employee's highest five years of compensation during the last ten years of employment. The Cooperative's policy has been to fund retirement costs annually as they accrue.

Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program. The Cooperative contributes a percentage of employees' earnings to the program, as prescribed by the NRECA. Contributions made to this plan were approximately $190,000 and $185,000 for the years ended December 31, 2003 and 2002, respectively.

The Cooperative also offers participation in the NRECA Selectre Pension Plan to all employees meeting certain minimum service requirements. This plan has 401(k) salary deferral features. Under this plan, the Cooperative matches a percentage of the employees' contributions to the plan. The Cooperative's contributions to the plan were approximately $51,000 and $48,000 for the years ended December 31, 2003 and 2002, respectively.

Postretirement Benefits - The Cooperative reports its postretirement benefits in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the Cooperative calculate and record the liability and related expense associated with providing postretirement benefits other than pensions.

The Cooperative has a contributory health care plan covering active employees and retirees under which retirees pay 100 percent of the average cost of benefits determined based on the combined experience of active employees and retirees. The incremental cost of heath care premiums, resulting from the inclusion of retirees' health care experience ratings with active employees' experience ratings, is viewed as a benefit earned through employment service, subject to accrual during the years an employee is working.

	2003	2002
Benefit obligation at January 1 and August 1, respectively	**$ (140,220)**	$ (108,300)
Recognition of current year expense	**(25,600)**	(31,920)
Benefit obligation at December 31	**(165,820)**	$ (140,220)
Fair value of plan assets at December 31	**0**	0
Funded status	**$ (165,820)**	$ (140,220)

Assumptions: The accumulated postretirement benefit obligation was determined using a 7 percent discount rate. A health care cost trend rate of 9 percent was assumed for 2001, decreasing to 5 percent by 2010 and remaining at 5 percent thereafter. A one percent increase in the health care trend cost would result in a $13,400 increase in the accumulated postretirement benefit obligation and a $21,800 increase in the expected postretirement benefit obligation.

14. Concentration of Customers and Credit Risk:

Revenue for the year ended December 31, 2003 included revenue from five customers, whom each individually represented more than 10 percent of the total operating revenue. Revenue from these customers collectively represented approximately 94 percent of total operating revenue for 2003. Accounts receivable at December 31, 2003 included amounts owed from five customers, whom each individually represented 10 percent of the total accounts receivable balance. The amounts owed from these customers collectively represented approximately 92 percent of the total accounts receivable balance at December 31, 2003.

Revenue for the year ended December 31, 2002 included revenue from five customers, whom each individually represented more than 10 percent of the total operating revenue. Revenue from these customers collectively represented approximately 94 percent of total operating revenue for 2002. Accounts receivable at December 31, 2002 included amounts owed from five customers, whom each individually represented 10 percent of the total accounts receivable balance. The amounts owed from these customers collectively represented approximately 94 percent of the total accounts receivable balance at December 31, 2002.

15. Fair Value of Financial Instruments:

Many of the Cooperative's financial instruments lack an available trading market as characterized by a willing buyer and willing seller engaged in an exchange transaction. The Cooperative's general practice and intent is to hold its financial instruments to maturity and not to engage in trading or sales activities. As a result, significant estimations and present value calculations are used by the Cooperative for purposes of disclosure.

Estimated fair values are determined by the Cooperative using the best available data and an estimation methodology suitable for each category of financial instruments. For those financial instruments, which mature or reprice within 90 days, the carrying amounts approximate fair value.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

a. *Cash and Cash Equivalents* - For cash and cash equivalents, cost is a reasonable estimate of fair value.
b. *Investments* – Investments, which at December 31 consist entirely of capital term certificates, are carried at cost, as fair market value is not readily determinable.
c. *Member Advances* - For Member advances, the carrying value (cost plus accrued interest) of advances with maturities of 90 days or less approximates the fair value. The fair value of advances with maturities greater than 90 days are estimated by recalculating the redemption value at December 31 using the rate, offered by the Cooperative on the original purchase date, for investments that would have a maturity date of December 31.

d. *Long-Term Debt* - The fair value of the Cooperative's long-term debt is estimated by discounting the future cash flows required under the terms of each respective debt agreement by the currently quoted or offered rates for the same or similar issues of debt with similar maturities. The principal amounts of variable rate debt outstanding at December 31, 2003 and 2002, of the Solid Waste Disposal Revenue Bonds and Cooperative Finance Corporation long-term debt are considered reasonable estimates of their fair values, as these are variable interest rate liabilities.

The estimated fair values of the Cooperative's financial instruments at December 31, consist of the following:

	2003	
	Carrying Value	Fair Value
Investments and Other Property:		
Restricted held to maturity investments	**$ 1,355,652**	**$ 1,355,652**
Long-Term Debt:		
(including current maturities):		
Federal Financing Bank	**$58,962,815**	**$58,683,196**
Cooperative utility trust	**13,193,086**	**12,779,883**
Solid waste disposal revenue bonds	**8,632,940**	**8,632,940**
Pollution control revenue bonds	**3,572,079**	**3,810,981**
Rural Utilities Service	**2,443,373**	**4,787,485**
Cooperative Finance Corporation	**886,512**	**886,512**
Current Liabilities:		
Member advances	**$ 184,194**	**$ 184,772**

	2002	
	Carrying Value	Fair Value
Investments and Other Property:		
Restricted held to maturity investments	$ 1,350,375	$ 1,350,375
Long-Term Debt:		
(including current maturities):		
Federal Financing Bank	$57,001,795	$64,442,445
Cooperative utility trust	13,601,929	13,005,555
Solid waste disposal revenue bonds	8,828,402	8,828,402
Pollution control revenue bonds	4,365,335	4,671,741
Rural Utilities Service	2,735,971	2,853,764
Cooperative Finance Corporation	963,198	963,198
Current Liabilities:		
Member advances	$ 56,105	$ 56,137

16. Operating Leases:

Office Facilities and Machinery and Equipment: The Cooperative entered into two separate 60 month lease agreements, effective as of August 1, 2001, for the lease of office facilities and substantially all the machinery and equipment used in the Cooperative's daily operations (See Note 17). Rent expense for the office facilities and machinery and equipment totaled approximately $839,000 for each of the years ended December 31, 2003 and 2002.

The following summarizes the future minimum lease payments under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at December 31, 2003:

Fiscal Year	Leases
2004	$ 838,614
2005	838,614
2006	838,614
2007	489,192
Thereafter	0
Total	$ 3,005,034

17. Related Parties:

The Cooperative is a Class B member of Sierra. Sierra is a member-owned, non-profit Arizona cooperative corporation organized to provide personnel staffing and energy services and products to its members and other customers. Class B members of Sierra are collectively represented by one director seated on Sierra's board of directors. Each director is entitled to one vote on each matter submitted to a vote at a meeting of the directors. The Cooperative's investment in Sierra was $1,000,000 as of December 31, 2003 and 2002. (See Note 3).

AEPCO and Sierra are Class B members of the Cooperative. Class B members of the Cooperative are collectively represented by one director seated on the Cooperative's board. Each director is entitled to one vote on each matter submitted to a vote at a meeting of the directors.

The Cooperative has entered into an agreement with Sierra, whereby Sierra provides personnel staffing services (See Note 11 – *Personnel Staffing Agreement*). The Cooperative recorded expenses for personnel staffing services totaling approximately $5,611,000 and $5,288,000 for the years ended December 31, 2003 and 2002, respectively. The Cooperative has accounts payable to Sierra totaling approximately $15,800 at December 31, 2003. The Cooperative had accounts receivable from Sierra totaling approximately $800 and $32,000, at December 31, 2003 and 2002, respectively.

The Cooperative has entered into an agreement with AEPCO for the lease of Office Facilities and Machinery and Equipment (See Note 16 - *Office Facilities and Machinery and Equipment*). Rents paid to AEPCO totaled approximately $839,000 for each of the years ended December 31, 2003 and 2002.

The Cooperative has also entered into agreements with AEPCO for transmission service (See Note 10 - Class A Member Network Service Agreements, Class B Member Network Service Agreement, and AEPCO Bundled Transmission Service Agreements). The Cooperative recorded revenues from these agreements totaling approximately $16,868,000 and $16,622,000 for the years ended December 31, 2003 and 2002, respectively. The Cooperative had recorded accounts receivable from AEPCO totaling approximately $1,175,000 and $1,124,000 as of December 31, 2003 and 2002, respectively.

18. Asset Retirement Obligations:

In June 2001, FASB Statement No. 143, Accounting for Asset Retirement Obligations, was issued. Statement. 143 requires the Cooperative to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. The Cooperative also would record a corresponding asset that is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation would be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Cooperative was required to adopt Statement 143 on January 1, 2003. After a review of tangible long-lived assets of the Cooperative, it was determined that the transmission facilities have asset retirement obligations. However, as the obligations do not have determinable settlement dates, the Cooperative has not recorded an asset retirement obligation, as the amount cannot be reasonably estimated at this time.

End of Audited Financial Statements.

C

DIRECT TESTIMONY OF

WILLIAM K. EDWARDS

BEFORE THE

ARIZONA CORPORATION COMMISSION

ON BEHALF OF

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

Q. What is your name and business address?

A. My name is William K. Edwards. My business address is 2201 Cooperative Way, Herndon, Virginia, 20171.

Q. By whom are you employed, and in what capacity?

A. I am employed by the National Rural Utilities Cooperative Finance Corporation ("CFC") as an economist and Vice President of Regulatory Affairs. In that capacity, I am responsible for testifying about and advising on regulatory issues of cooperatives before the FERC and many state commissions.

Q. What is your educational background and experience?

A. I received my B.S. Degree in Business with a concentration in economics from Christopher Newport College of the College of William & Mary in 1977, and an M.A. degree in Economics from Old Dominion University in 1979. My major fields of study included mathematical economics, econometrics and microeconomics. I have completed a number of courses toward a Ph.D. in Economics from the Virginia Polytechnic Institute & State University. I have worked for the firm of Ernst & Ernst as a consultant principally in the electric utility industry. From 1982 to 1985, I was employed by Mississippi Power & Light Company (Entergy - Mississippi) as a supervisor responsible for rate research. From January 1986 until early 1995, I was employed by Central Louisiana Electric Company, Inc. as Manager of Rate Research and subsequently as Director of Rates. In that capacity I was responsible for regulatory affairs, regulatory accounting, rate design, cost of service studies, rate administration and the attendant litigation associated with regulatory issues before both the Louisiana Public Service Commission and the Federal Energy Regulatory Commission. Since 1996, I have been employed by CFC.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support Southwest Transmission Cooperative, Inc.'s ("SW-Trans") request for a Debt Service Coverage Ratio ("DSCR") of 1.15 and a Times Interest Earned Ratio ("TIER") of 1.11.

THE ROLE OF CFC

Q. What is CFC?

A. CFC was incorporated as a private, not-for-profit cooperative association under the laws of the District of Columbia in April 1969. The principal purpose of CFC is to provide its members with a dependable source of low-cost capital and state-of-the-art financial products and services. CFC provides its members with a source of financing to supplement the loan programs of the Rural Utilities Service ("RUS") of the United States Department of Agriculture, which is the successor agency of the Rural Electrification Administration. CFC is owned by and makes loans primarily to its rural utility system members to enable them to acquire, construct and operate electric distribution, generation, transmission and related facilities. CFC also provides guarantees on debt to its members for tax-exempt financings of pollution control facilities and other properties constructed or acquired by its members, debt in connection with certain leases and various other transactions.

CFC had 1,546 members as of February 29, 2004, including 898 electric utility members, virtually all of whom are consumer-owned cooperatives. The utility members included 827 distribution systems and 71 generation and transmission ("power supply") systems operating in 49 states and four U.S. territories.

Q. How does CFC obtain the funds it lends to cooperative utilities?

A. CFC functions as both a borrower and a lender. As a lender, CFC makes short-, medium- and long-term loans to its member systems. As security for its long-term loans, CFC receives a first mortgage on its borrowers' facilities. These mortgages and related mortgage notes are in turn used as security for CFC collateral trust bonds issued in the public capital market. Through the sale of such bonds, as well as commercial paper and other debt instruments, CFC obtains capital on behalf of its member borrowers. In this role, CFC acts as a borrower.

CFC issues long-, medium- and short-term debt in both the domestic and foreign capital markets. CFC issues long-term secured collateral trust bonds, unsecured medium-term notes, unsecured quarterly income capital securities and unsecured commercial paper. CFC's collateral trust bonds, medium-term notes, quarterly income capital securities and commercial paper all carry investment grade ratings from three rating agencies (Standard & Poors, Moodys and Fitch).

CFC also sells unsecured commercial paper and medium-term notes to its members. In addition, members may invest in the daily liquidity program, which can be withdrawn by the members on demand.

Consequently, CFC has a great interest in rate of return issues, including but not limited to, the appropriate DSCR and TIER ratio, equity management and the associated issue of return on equity.

Q. Is SW-Trans a member of CFC?

A. Yes. SW-Trans is a member of CFC and has long-term loans with CFC as of December 31, 2003 totaling $806,515 concurrent with the RUS.

Q. In what ways does SW-Trans differ from an investor-owned utility?

A. The main difference between an investor-owned utility and an electric cooperative is the form of ownership. In the investor-owned utility, stockholders own the equity of the utility and ratepayers (the customers) are not entitled to the benefits of equity holders. Investor-owned utilities typically have a Board of Directors separate from the customers of the utility. Therefore, there is an implicit conflict associated with investor-owned utilities; the interests of the equity owners are different from the interests of the customers. In the past, vertically integrated electric utilities were regarded as a monopoly whose goal was to maximize profits to the stockholders at the expense of its customers. As such, both State and Federal governments instituted rate regulation to control such behavior.

In a cooperative, the customers own the equity. Hence, the benefits of being an equity holder belong to the customer. There are a number of benefits that accrue to customers of cooperative organizations including a return of excess margins and, all things being equal, lower cost electricity. In a cooperative, the Board of

Directors is comprised of customers that are democratically elected. As such, the conflict present with investor-owned utilities is not present with cooperative structures because the customers, the decision-makers and equity owners are the same people. As Mr. Minson has discussed in his testimony, this rate increase request has already faced the scrutiny of SW-Trans' Board of Directors and its Members who are themselves customers and who represent the interests of other equity owners.

Although aware of the differences, sometimes regulators forget that, as a result of the cooperative structure, there is no incentive to maximize prices or otherwise charge a profit on sales to its members. Additionally, should customers of cooperatives become convinced that a specific rate increase or other action is unnecessary or unwise, they have their remedy of representational rights before the Board of Directors.

Q. In what ways does SW-Trans differ from generation and transmission ("G&T") companies?

A. SW-Trans is a non-profit electric transmission only cooperative, which provides electric transmission and ancillary services to its members. SW-Trans owns and operates transmission assets. Most G&T's as well as many investor-owned utilities operate an integrated generation and transmission system for the benefit of their customers and owners. The effect of the unbundled nature of these assets on the TIER (and DSCR ratios) is that there is likely a difference in risk associated with the operation of generation assets compared to transmission assets.

Although regulatory policies on competition remain unsettled, transmission is envisioned by most people to remain a monopoly service. Therefore, a transmission company like SW-Trans is anticipated to have somewhat less risk than a comparable generation company may have. The result is that the TIER requirements for a transmission company may be slightly less than a generation company, all other things being equal. On the other hand, SW-Trans was only recently formed, has a small amount of equity and operates with thin margins. This increases risk and makes it particularly vulnerable to even small changes in revenues and operating expenses.

Q. What are some of the specific criteria that creditors like CFC use to evaluate the credit worthiness of cooperative utilities like SW-Trans?

A. With the onset of electric deregulation in the mid-1990s as well as other more subtle changes to the utility industry, CFC has re-evaluated its lending policies in an attempt to better manage its portfolio. The revisiting of lending policies is a continuing process to challenge CFC in its efforts to provide low-cost capital to its members. Although the credit decisions relating to specific applicants are "fact specific" decisions, there are company specific criteria that are considered by CFC prior to it issuing credit.

In evaluating the credit quality of cooperative utilities like SW-Trans, CFC continues to focus on several key factors: management, rates, generation and distribution facilities, regulation, demographics, financial performance and legal provisions.

With respect to financial evaluations, CFC has devised a list of key financial ratios that are used to supplement its credit decisions. The "G&T Trend Analysis" provides a generalized and quick method for credit analysts to preliminarily evaluate a G&T cooperative.

Table 1 below illustrates the more key parameters for SW-Trans over the past two years.

Table 1
Key Ratios

Year	TIER	DSC	Equity Ratio[1]
2002	1.10	1.10	2.39%
2003	1.49	1.23	4.34%

Although 2003 was a fairly strong actual performance year for SW-Trans, on an adjusted basis its TIER and DSCR fall to only 0.44 and 0.79, respectively. Comparing these results to a pool of 55 G&T's nationwide in 2002 (the last year collective data is available), they are significantly below the 1.29 TIER

[1] Total Equity/Total Assets.

and 0.97 DSCR pool average. Also, SW-Trans' equity of 4.34% is less than one-third of the 13.22% pool average. Obviously, SW-Trans' financial posture is tenuous and that emphasizes the need for prompt and adequate rate relief.

Q. Please explain the importance to a rural electric cooperative of developing and maintaining an adequate equity level.

A. Congress established the Rural Electric Administration in 1936 to provide funding for electric cooperatives to extend their lines and make central station power available in rural areas. Under the original Act, the government provided 100% financing and the need for equity capital was not required.

In 1973, Congress amended the Rural Electrification Act. It established the rural electric revolving fund and required rural electrics to borrow a portion of their long-term capital needs from supplemental sources. Because private capital (like CFC) was now required, it was necessary to establish financial standards in order to access affordable funding from the competitive capital markets.

Q. Is equity an important consideration in securing private source capital?

A. Yes. CFC works closely with all its borrowers to assist them in building an appropriate equity level in order to achieve a capital structure that will allow them to attract private capital. CFC makes recommendations designed to manage equity in order to continue to have access to reasonably priced private capital.

Q. Does CFC have an interest in the amount of equity that SW-Trans maintains?

A. Yes. CFC is vitally interested in SW-Trans' capitalization as well as every other cooperative that seeks financing from CFC. This interest is on an individual as well as a collective basis since the overall position of the borrowers like SW-Trans as a group is what CFC proffers to the market. The industry's equity ratios affect the attitudes of investors in CFC securities. Should the overall equity position of electric cooperative utilities change, investors can be expected to react toward CFC securities, as they would towards the securities of an investor-owned utility. If the overall equity ratio of electric cooperatives declines, the investors would perceive an increase in risk and would demand a higher risk premium associated with the cost of debt.

Q. How Does SW-Trans' equity ratio compare to other cooperatives?

A. At the end of the 2003 test year, the equity ratio of total capitalization was approximately 4.34%. At December 31, 2002, the equity ratio was 2.39%. By contrast, G&T cooperatives had a median equity ratio at the end of 2002 of 13.22%.

Q. Why is it important for SW-Trans to develop a stronger equity base?

A. The lower the equity ratio, the higher the annual charges for interest expense and the greater the margin requirements to maintain an adequate DSCR and TIER. As the blended cost of long-term debt rises, the requirements to achieve adequate operating ratios will become more difficult unless the equity ratio is increased.

For this reason, I support both SW-Trans and this Commission's efforts to establish long-range goals for SW-Trans equity (Decision No. 64991). Prompt and adequate action on this rate request will help SW-Trans advance toward those goals.

Q. What is your recommendation for appropriate DSCR and TIER ratios at this time for SW-Trans?

A. SW-Trans is requesting a TIER and DSCR ratio of 1.15 and 1.11, respectively. In my opinion, these are minimum ratios to provide some financial stability and modest progress toward equity goals.

Q. Will the requested DSCR and TIER in this case provide SW-Trans with comparable security required by creditors?

A. Both will allow SW-Trans to make progress toward improved financial strength, although it has a long way to go. For example, Table 2 illustrates Standard & Poor's ("S&P's") median equity ratios and operating TIER requirements for utilities by financial rating of senior debt.

Table 2
S&P Median Values of
Utility Financial Ratings

Rating	Equity Ratio	Operating TIER
AA	50.3%	4.2
A	43.5%	3.0
BBB	37.4%	2.1
BB	34.6%	1.2

S&P rates senior debt beginning with the rating "AAA." An AAA rated utility has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on its debt is extremely strong. In contrast, ratings of "BB" and below are regarded as having significant speculative characteristics. Presently, the proposed operating TIER of 1.15 places SW-Trans below investment grade, while the present equity ratio, of course, is far below any of the ratings.

Q. Would the proposed 1.15 TIER and 1.11 DSCR ratios allow SW-Trans to borrow money from CFC and RUS?

A. I believe it would qualify for lending by both organizations.

Q. Does this conclude your testimony?

A. Yes, it does.

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